FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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West Germany weighs up N-power, Page 16

World news

S African miners quit after tribal row

Half the 8,000 black workers at the Beatrix Gold Mine in the Orange Free State province of South Africa have resigned or been fired after faction fighting which left eight dead and 53 injured.

Gencor, the mine owners, said 400 workers were dismissed for carrying offensive weapons. The scale of the bloody, tribal fighting, indicated for the first time by the figures, induced a further 3,500 miners to resign and return to their homes in neighbouring Lesotho and the homelands of Transkei and Ciskei. Page 4

Photographer held

Kidnappers seized a French photographer in Lebanon as British envoy Terry Waite pursued his latest mission to free Western hostages there. The latest abduction brought to 19 the number of foreigners missing

Fresh Israeli raid

Israeli planes attacked Palestinian guerrilla positions in Syrian-controlled eastern Lebanon, the fourth raid on Lebanon in 10 days.

Ambassador shot

Colombia's ambassador to Hungary was seriously wounded in an attack at his residence by an unidentified gunman.

Pope in talks

Pope John Paul and Polish leader Wojciech Jaruzelski discussed Poland's problems and Church-state relations during an unusually long private meeting which the Pontiff described as "historic." Page 2

Three die in riot

Three people were killed and 53 wounded in fresh ethnic riots in two cities of Pakistan's southern Sind province. The ethnic riots, which killed 186 people last month, erupted during protests over the gang-rape and murder of two young women.

Swapo men killed

South African security forces in South-African-ruled Namibia killed 36 guerrillas of the South West Africa People's Organisation, which is trying to liberate the country, in a series of clashes that spread across the border into neighbouring Angola, a military spokesman said.

Deng on attack

Chinese leader Deng Xiaoping criticised students who took part in recent protests and attacked two writers and an academic for trying to exploit the students. Page 4

Hotel arson charge

A maintenance worker was charged with murder in connection with the fire in which 96 people died at the Puerto Rico hotel where he worked.

Weather death toll

More than 100 people have died as a result of one of Europe's coldest winters on record, which is causing transport chaos, panic food buying and a severe drain on fuel reserves. East Europe freeze, Page 3; UK power cut, Page 6

Chad shows POWs

Chadian authorities displayed 130 Libyan prisoners of war in a macabre ceremony before diplomats, government officials and journalists.

Kohl denies swing

West German Chancellor Helmut Kohl pledged to continue policies of co-operation with Eastern Europe and denied foreign policy would swing to the right if he won this month's general election.

Hot tip

Dozens of people are scouring a rubbish tip in Pescara, east Italy, after a retired schoolteacher said she accidentally threw away a winning L1bn ($750,000) lottery ticket.

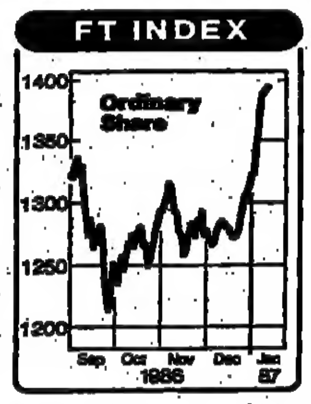
Business summary

Airbus wins $2bn contract

AIRBUS INDUSTRIES, European jet airliner manufacturer, won a $2bn order for 50 of its medium-range airliners, which makes its maiden flight next month. The deal was generated by Guinness Peat Aviation, the Irish-aircraft financing company, and takes to 437 the total orders and options for the 150-seater A-320 aircraft. Page 18

FERMENTA: Stockholm Stock Exchange board will meet tomorrow to consider the expulsion of the beleaguered Swedish antibiotics and animal health group. Leading bourse officials have already decided to press for expulsion, the heaviest penalty the exchange can impose on a publicly quoted company, for grave breaches of its listing contract.

FT INDEX



LONDON hit a fresh record on heavy buying of oil and gas issues. The FT-SE 100 index reached a new peak of 1,763.2 with a 7.7 rise and the FT Ordinary index added a further 4.5 to 1,393.9. Gilts fell sharply. Page 38

WALL STREET: The Dow Jones industrial average closed 3.52 up at 2,012.94. Page 38

TOKYO: Buying was depressed by the stronger yen and the Nikkei average slipped 124.97 to 18,544.05. Page 38

GOLD fell $1.75 to $409.25 on the London bullion market. It also fell in Zurich to $409.75 ($411.05). In New York the Comex February settlement was $412.30. Page 30

DOLLAR closed in New York at DM 1.873; SFr 1.5730, FFr 6.2595 and Y 155.65. It fell in London to DM 1.8755 (DM 1.8905); to FFr 6.27 (FFr 6.2875); to SFr 1.5750 (SFr 1.5805); and to Y155.75 (Y156.70). On Bank of England figures the dollar's exchange rate index fell from 106.9 to 106.4. Page 31

STERLING closed in New York at $1.4930. It fell in London to $1.4905 ($1.4915); it also fell to DM 2.7950 (DM 2.82); to FFr 9.3450 (FFr 9.3775); to SFr 2.3475 (SFr 2.3575); and to Y232.25 (Y233.75). The pound's exchange rate index fell 0.4 to 68.5. Page 31

DEUTSCHE BABCOCK, West German heavy engineering group, said profits improved in the financial year to September 30 1986 and plans raising between DM 200m ($105m) and DM 300m through an April rights issue. Page 19

WEST POINT-PEPPERELL, US textiles and carpets producer, boosted first quarter net income to $20.9m from $11.5m reflecting a broad based improvement in profits. Page 19

MELLON BANK, Pittsburgh-based banking group whose performance has been lacklustre in recent years, reported sharply lower earnings because of the need to strengthen its loan-loss reserves. Page 19

LEYLAND BUS was bought from Rover Group, UK state-owned vehicle-maker, by a consortium of management and banks for £4m ($5.6m). Page 19

AT&T of US and Philips of the Netherlands won a key $200m digital telephone contract in Indonesia. Page 18

RUPERT MURDOCH'S A$2.3bn takeover offer for the Herald and Weekly Times media group was cleared by the Australian Government which decided against using his US citizenship as grounds for blocking the bid. Page 23

Japanese support fails to reverse sharp fall in $

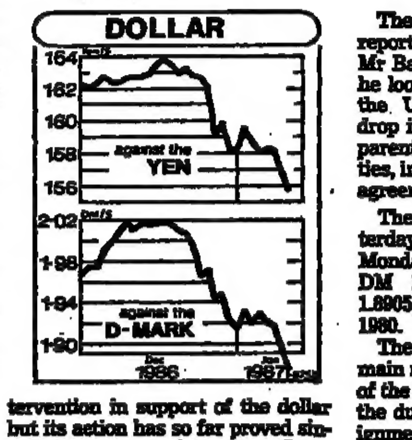
BY OUR ECONOMIC AND FOREIGN STAFF

THERE was no respite for the dollar yesterday, despite another vigorous effort to stop its slide by the Bank of Japan in Tokyo, and it fell again sharply against most major currencies.

Some profit-taking developed after the dollar's steep and rapid decline this week, but this was short-lived.

The West German Bundesbank apparently refrained from attempting to support the dollar again yesterday and one foreign exchange dealer at a major US bank in London said he had never seen the market in such a negative mood about the dollar.

DOLLAR



In New York, concern about the apparent willingness of the US Treasury to see the decline continue undermined what was otherwise a positive mood in the bond market and on Wall Street, based on belief that the US discount rate will be cut relatively soon to counter what is expected to be a very weak economic performance in the first quarter.

Adding another layer of nervousness to foreign exchange trading was concern about whether Mr Paul Volcker will be reappointed chairman of the US Federal Reserve.

Yesterday was the fifth consecutive day of heavy Bank of Japan intervention in support of the dollar but its action has so far proved singularly unsuccessful. Many Japanese currency traders are now looking for a fall in the dollar's value to perhaps as low as Y150 in the days ahead.

Mr Stephen Lewis, head of economic research at securities house Phillips & Drew in London, said the dollar's fall to the Y155 to Y156 range had raised serious questions about the current status of the accord signed in October by Mr Kiichi Miyazawa, Japan's Finance Minister, and Mr James Baker, US Treasury Secretary, on stabilising their currencies.

The Japanese authorities were reported to have been displeased by Mr Baker's remarks last week that he looked for an orderly decline in the US dollar. "The subsequent drop in the dollar, without any apparent protest from the US authorities, infringes the spirit of October's agreement," he said.

The dollar closed in London yesterday at Y155.75 compared with Monday's closing Y156.70 and at DM 1.8755 compared with DM 1.8905, its lowest level since October 1980.

The D-mark continued to be the main recipient of funds flooding out of the dollar, fuelling concern about the durability of the weekend realignment of parities within the European Monetary System.

Yesterday saw the weaker member currencies slip toward their lower intervention points. The French franc, the Danish krone, the Irish punt and the lira all eased against the D-Mark. The Bundesbank was believed to have bought modest amounts of French franc against the D-Mark yesterday.

Foreign exchange dealers said the strain in the EMS was not serious at this stage but was expected

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Currencies, Page 31

Norway will cut oil output to support higher prices

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

NORWAY is to cut its planned North Sea oil production by around 7.5 per cent during the first six months of the year in support of recent moves by the Organisation of Petroleum Exporting Countries (Opec) to drive up oil prices.

It intends to reduce planned output by 80,000 barrels a day (b/d) with effect from February 1. The cuts will be spread across all seven oil fields now in production, Statfjord, Ekofisk, Murchison, Ula, Gullfaks, Oseberg and Valhall.

The Norwegian Government said the cuts would be implemented in an attempt to help stabilise the oil price and to back steps by other oil producing countries outside Opec to regulate production.

Separately, an official at Petroleos Mexicanos was quoted yesterday as saying Mexico planned to limit its exports to the current level of 1.35 b/d in a "spirit of co-operation" with Opec's campaign.

This week, oil prices have moved above $19.20 per barrel for the first time for more than a year helped by growing demand as a result of the harsh winter that has hit much of Europe.

Yesterday the price for Brent Blend, the key North Sea crude, fell slightly to $18.55-60 a barrel following the strong gain recorded on Monday because of cold weather.

The UK, the other main North Sea oil producer, has persistently refused overtures from Opec to join in production cuts, but Norway made clear last night that its reductions would also apply to the Norwegian part of fields that straddle the median line between the Norwegian and UK sectors such as Murchsion and Statfjord.

Oslo's attitude towards co-operation with Opec has changed significantly since the minority labour Government led by Mrs Gro Harlem Brundtland took office in May last year in the midst of the most serious economic crisis the country has faced for many years.

Oil has recently accounted for nearly a fifth of Norway's gross national product, more than a third of the country's exports and a fifth of the state's total revenues.

The economic crisis has persuaded the present Government to take measures to contribute to stablising oil prices at what it calls "a reasonable level", provided that Opec itself acts effectively to bolster prices.

Norwegain oil production averaged some 850,000 b/d last year, but by December it had reached close to 1m b/d and it was expected to average some 1.05m b/d in the first half of 1987.

The cuts will reduce this level to around 970,000 b/d reducing the volume of Norway's oil exports by around 8.5 per cent.

Commodities, Page 30

Argentine President dispatches peace message to Thatcher

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

PRESIDENT Raul Alfonsin of Argentina has sent a verbal message to Mrs Margaret Thatcher, the British Prime Minister, believed to contain suggestions on how relations between the two countries, soured by the conflict over the Falkland Islands and fishing zones could be improved.

The message was conveyed to Mrs Thatcher on Monday by Mr Edgar Bronfman, the president of the World Jewish Congress, who disclosed that he had been acting as an emissary at a press conference in London yesterday. Mr Bronfman also said that he would relay Mrs Thatcher's reply to the Argentine President, but declined to give any further details.

The statement by Mr Bronfman, who heads an organisation representing Jews in 70 countries, appeared to contradict the categorical denial by the British Foreign Office on Monday that there had been official or unofficial contacts between Buenos Aires and London. British officials described newspaper reports to this effect as "nonsense."

Mr Bronfman said he had held talks for more than an hour with Mrs Thatcher, but stressed that they had dealt mainly with the plight of Soviet Jews and not the Falklands problem. He said he was going to Moscow next month for talks with "senior Soviet officials" and was "cautiously optimistic" that thousands of Soviet Jews wishing to leave the Soviet Union would be permitted to do so.

The immediate aim of the indirect contacts between Buenos Aires and London appears to be to reduce the danger of conflicts when the disputed new British fishing conservation zone around the Falklands, invaded by Argentina in 1982 and subsequently retaken by Britain, comes into effect on February 1.

Mr George Younger, the British Defence Secretary who is on a six-day fact-finding mission to the islands, has given the 2,000 inhabitants a renewed pledge on their future. He said at the beginning of his visit on Monday: "The British Government stands absolutely by the importance of ensuring the effective future defence of the islanders."

Britain also stood by its undertakings that the islanders had the right to decide on how they wished to be governed.

A Downing Street spokesman said last night that what Mr Bronfman had communicated to Mrs Thatcher could not be described as a message. Mr Bronfman had merely given her an account of what President Alfonsin had told him. Nor had anything been put down on paper.

"Dirty war" victims haunt Alfonsin, Page 5

IBM has not quit S Africa, say trade unions

By Philip Basset, Labour Editor, in London

TRADE UNIONS yesterday claimed that IBM, the world's largest computer company, has in practice not withdrawn from its South African operations.

The unions base their claim on a leaked IBM management letter, which they say shows that, despite the company's highly-publicised disinvestment in South Africa last October, IBM's operations in the country will continue broadly as normal.

IBM blamed its decision on the deteriorating political and economic position in South Africa. Although it set up an independent company to market IBM's products there the decision to withdraw was widely seen as a considerable blow to business confidence.

The letter, from Mr Jack Clarke, formerly IBM South Africa's long-standing managing director and who is also heading the new company, aims to give to IBM's customers and associates in South Africa "unequivocal assurances" about the continuity of supply.

Mr Clarke's letter says that:

- A full range of IBM products and services will continue to be available in South Africa "through the current sole supplier;"
- IBM is fully committed to ensuring that all customers continue to receive a level of service normally associated with the company;
- all IBM commitments to customers, dealers, agents, employees and suppliers will be honoured.

"I believe," the letter says, "our customers will appreciate that there will be no change to the supply of IBM products, that there will be the same standard of excellence in service from the new company, and that the new company will be able to respond to their needs with greater flexibility than a wholly-owned IBM subsidiary. In the current international climate, such flexibility will clearly be to our customers' advantage."

It says that the new company "will hold the sole franchise for IBM in South Africa, and has a supply and service contract with the IBM Corporation."

Union officials claim that this means that the new company will be free from any US Congress decisions on South Africa with which IBM itself would have had to comply.

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City of London curbs planned by Opposition

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

A COMPREHENSIVE policy for the control and regulation of the City of London and for takeovers will be produced by Britain's opposition Labour Party early next month.

It will bring together recent work in the party on competition policy with proposals for a statutory authority to regulate City markets.

The integration of competition and regulation reflects Labour's view that making takeovers more difficult and laying down more stringent supervision of the conduct of bids will assist the interests of industry.

The timing of the launch reflects Labour's desire to make the City a major political issue in view of recent scandals. Mr Robin Cook, the party's trade spokesman, argues that the Conservative Government has helped to create a climate in which abuses flourish.

Labour will argue in detail that the onus of proof in a takeover should be shifted so that a bidder would have to justify his proposals. Official policy currently is only to block a bid if it would impede competition.

Labour would also broaden the relevant factors in assessing a bid. It would require that unusual methods of financing, bids by foreign groups, strategic or defence interests, and possible job losses would all create a presumption in favour of a reference to the Monopolies and Mergers Commission.

The Party will also urge a statutory, though independent, regulatory authority for the City. Unlike the new Securities and Investments Board, the proposed body would be publicly funded, appointed by the Government and would have investigatory and prosecuting powers.

However, Labour stresses that the body would not be the same as the Securities and Exchange Commission in the US, in that it would not have a powerful role in secondary law-making and would not engage in plea-bargaining.

The publication of the document will be preceded by a lengthy discussion paper on competition policy from the Labour Finance and Industry Group, consisting of specialists and party supporters.

General political concern about the recent spate of takeovers was yesterday reflected in cross-party pressure in the House of Commons to refer the bid by BTR for Pilkingtons, the glass-makers, to the Monopolies and Mergers Commission.

Following a non-commital reply by Prime Minister Margaret Thatcher on the issue to a Conservative questioner in the House of Commons, Mr Cook wrote to Mr Paul Channon, the Trade and Industry Secretary, urging a reference to the Commission.

Background, Page 6

Morgan Grenfell sets up review committee

BY DAVID LASCELLES IN LONDON

MORGAN GRENFELL, the British merchant bank at the centre of the Guinness affair, has formed a committee of directors – all of them senior figures in UK industry and finance – to look into its organisation and management controls, and recommend improvements.

The committee has also been asked to review the group's structure in light of its growing domestic and international business, and make whatever changes it thinks are needed.

A spokesman said that the committee inquiry "will not be a witch-hunt and will not be a whitewash." He said it would be concerned with the effectiveness of management systems, not the conduct of individuals, and would demonstrate Morgan's readiness to address its entire organisational structure, including changes already proposed in the wake of last year's Big Bang. Its findings will be discussed with the Bank of England.

This follows the launch last month of a Department of Trade inquiry into Guinness and the ordering by Mr Christopher Reeves, Morgan's chief executive, of an internal inquiry headed by Mr George Law, the group compliance officer.

The committee, which held its first meeting on Monday, is headed by Lord Catto, Morgan's chairman, and consists of Lord Pennock, the former chairman of BICC, Sir Peter Carey, the chairman of Dalgety, Sir Kenneth Durham, chairman of Woolworth, and Mr David Palmer, the chairman of Willis Faber, the insurance broking company which

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France starts negotiations on buying Awacs

BY DAVID BUCHAN, DEFENCE CORRESPONDENT

THE French Defence Ministry has begun negotiations with Boeing for three Awacs aircraft to give France its first airborne early warning (AEW) system, thus paving the way for a joint purchase from the US company along with Britain which last month decided to buy six Awacs.

For several months, France examined the same AEW options—the Boeing Awacs and the British-developed Nimrod—as Britain, with a view to buying the same system for less money.

However, both governments hope for larger savings from collaboration in training for, and maintenance of, their Awacs fleets. France is also expected to push for the same commitment to place with the buying country's industry work worth 130 per cent of the Awacs contract, as Boeing has promised Britain. SNECMA of France is already set to build, in collaboration with General Electric, the engines powering the Awacs to be sold to the UK.

Anglo-French collaboration on the joint purchase is expected to be discussed when Mr Peter Levene, the British Defence Ministry's chief of defence procurement, visits Paris today and when Lord Trefgarne, the British defence procurement minister, meets his French counterpart on Friday in Madrid for a meeting of the Independent European Programme Group (IEPG).

But its air force was always strongly predisposed towards the Boeing system. French officials only tested out GEC's Nimrod radar aircraft in French airspace on December 17, a day before the UK government cancelled the whole Nimrod programme in favour of buying Awacs. Since then, a French purchase of Awacs has been regarded as inevitable.

The two governments have now decided to place separate but parallel Awacs contracts within six months of each other to obtain a joint purchase discount from Boeing. This discount is expected to be small — a saving to the UK government of some £25m on the £800m it is to pay for six Awacs aircraft, and proportionately higher if the UK Defence Ministry finds an extra £200m to buy its desired total of eight aircraft. French officials expect to gain the same unit purchase discount from Boeing.

The IEPG was revived two years ago, partly to bring the French into closer arms collaboration with the other 14 European members of Nato, minus Iceland. So far, members have agreed they share a common need for about 10 military systems, including a 120mm mortar, anti-tank weapons, microwave landing systems, new generations of sonar buoys and medium range surface to air missiles.

Officials believe that what the IEPG now needs to do, to sustain its impetus, is to translate some of these accords into procurement action in 1987. An early candidate for an IEPG feasibility study is considered to be sonar buoys.

Jaruzelski and Pope hold talks

BY JOHN WYLES IN ROME

POPE JOHN-PAUL II and Gen Wojcieh Jaruzelski, the Polish leader, had a 70-minute meeting in the Vatican yesterday, which the Polish Government hopes will lay the ground for improved church-state relations in Poland.

The general is believed to have extended the formal invitation for the Pope's visit to Poland in June at this, their third encounter since 1981.

Since the discussion went on somewhat longer than expected, it is thought the two men—the general smiling, the Pope stern-faced at their initial greeting—covered a good number of the weightly topics currently preoccupying them.

Afterwards, a Vatican spokesman described the discussions in the Pope's library as "serious, clear and thorough." Pontiff and general had dealt with Polish social problems, relations between church and state, and questions of international peace.

Asked if he was satisfied with the meeting, Gen Jaruzelski replied for a Polish audience, stressing his presence in the citadel of Roman Catholicism: "I am always satisfied at each meeting with His Holiness.

"This meeting is particularly important for me because it is taking place in the Vatican, during my visit to the Vatican and on the eve, one could say, of His Holiness' visit to Poland."

The Pope emerged to greet the members of the Polish delegation, which included the general's daughter, Monica. He wished all a happy New Year, but refrained from any comment on the meeting.

It is thought likely that the Polish Communist leader again raised the question of establishing relations between Poland and the Holy See—a move the Vatican has resisted for fear Warsaw might then downgrade its contacts with the Polish bishops.

Later, on the second day of his three-day official visit to Italy, Gen Jaruzelski went on to talks with Italian businessmen and then for separate discussions with Mr Gianni Agnelli, president of Fiat, on the proposed $1bn (£714m) car plant project for Poland which has been agreed in most details

Pope John-Paul shows Gen Jaruzelski pictures of the Sistine chapel in a book which he gave him as a gift.

Moscow looks for 'new impetus' at Geneva

BY PATRICK COCKBURN IN MOSCOW AND WILLAM DULLFORCE IN GENEVA

THE SOVIET decision to upgrade hte leadership of Moscow's arms control team in Geneva was aimed at giving "a new impulse, a new dynamism" to the negotiations with the US, Mr Vladimir Petrovsky, the Soviet Deputy Foreign Minister, said yesterday.

Mr Petrovsky, who confirmed that Mr Yuly Vorontsov, First Deputy Foreign Minister, and until recently ambassador to Paris, would head the delegation, said Moscow was determined to move ahead "in all seriousness and responsibility" at the nuclear arms reduction talks which resume tomorrow.

Accusing the US of attempting to return to former positions on arms control, Mr Petrovsky said that solutions should be based on the outline agreement reached at the October summit in Reykjavik between President Ronald Reagan and Mr Mikhail Gorbachev.

The two leaders came close to agreeing to eliminate strategic nuclear weapons over the next 10 years and remove all medium-range nuclear arms in Europe. But their talks finally broke down over Mr Reagan's refusal to abandon his Strategic Defence Initiative (SDI), the project for a space-based defensive system.

The Soviet Union continues to make the abandonment of SDI, with the exception of laboratory research, a condition of an overall agreement on nuclear arms control.

The appointment of Mr Voronstov was "a good signal," Mr Max Kampelman, the chief US negotiator, said in Geneva yesterday on his arrival for the resumption of the negotiations. Mr Kampelman has been appointed a special counsellor to the State Department in response to the Soviet proposal to upgrade the delegations.

But he hoped the Soviet Union understood that the next substantive move in the talks had to come from them. It would be highly unfortunate if Moscow made the miscalculation that the US would act differently as a result of a domestic problem over the Iranian arms scandal, Mr Kampelman said.

He saw opportunities for progress in the common ground reached in Reykjavik, although Mr Reagan had claimed on Monday that the Soviet Union had backtracked from some important points.

Among the agreements on which the US delegation wanted to expand, Mr Kampelman said, was a 50 per cent reduction in strategic offensive arms over five years, which would leave each side with 6,000 warheads and 1,600 delivery vehicles.

Turkish bank fears discounted

By David Barchard in Ankara

SEVERAL Turkish banks have been warned by the Treasury and central bank since 1984 to improve their asset position or increase their capital, the Undersecretary of the Treasury and Foreign Trade, Mr Yavuz Canevi said in an interview yesterday.

However, he denied that any warnings had been issued in the past year, and discounted press reports that one or more of Turkey's smaller banks might be in serious difficulties.

"Our financial reporting system has been greatly improved since the new banking law was passed in 1983," Mr Canevi said. The central bank now had an early warning system. There was weekly supervision of the performance of the banks and a regular monthly review conducted jointly by the central bank and the Treasury."

An unspecified number of banks had been sent warning letters, giving them a timetable of commitments to meet. "Shortage of capital is the main problem," he said, "and we have told banks on occasions that we would freeze new credits by them unless they are adequately covered. But we don't ask them to do everything in one month."

His words will bring some reassurance to what has been a very nervous market in recent weeks. Several of Turkey's smaller banks which have made handsome profits in recent years on trade finance and similar operations have been unfavourably affected by the squeeze on foreign exchange here for most of the past year.

Belgian pursuit of revaluation surprises EMS

BY TIM DICKSON IN BRUSSELS

AS CHAIRMAN of the meeting of European Finance Ministers which eventually agreed the 11th EMS realignment, Belgium's Mr Mark Eyskens was always expected to play a pivotal role. But his insistence on a revaluation of the Belgian franc – a move which helped prolong negotiations into the early hours of Monday morning – was without doubt the major surprise of the weekend.

Belgium's 2 per cent upward adjustment against the weaker members of the system was being interpreted in Brussels by some observers as a return to the policy of "strong money" pursued with often disastrous results between 1973 and 1982. That period was marked by heavy borrowing, high interest rates, and a loss of competitiveness which contributed to the disappearance of around 100,000 jobs in manufacturing industry.

Under the various coalitions of Mr Wilfried Martens, Belgium has since been pursuing a tough austerity programme designed to restore the economy's failing health. The question being asked is whether the time was ripe for the country to link its currency more closely to the D-Mark and the Dutch Guilder and the strong economies of its neighbours to the north and east.

Mr Eyskens himself justified the 2 per cent Belgian franc revaluation (which is automatically accompanied by a similar adjustment to the Luxembourg franc) by pointing to relative inflation rates. Belgium's inflation rate was an annualised 0.6 per cent in December or an average 1.3 per cent over 1986 and as such lies somewhere between the rate of price increases recorded over these periods by Paris and Bonn.

The Belgians were not alone in arguing that the EMS realignment was caused by the external problem of the weak dollar rather than fundamental economic divergence within Europe. Even more powerful evidence is provided by the balance of payments with Belgium's current account surplus expected by the OECD to increase by BFr 80bn to BFr 180bn ($4.5bn) this year, while that of West Germany is likely to fall by around 15 per cent.

Admittedly, the underlying picture is not so bright if adjustments are made for the boost from a lower oil price, but as a percentage of GDP it suggests one of the better trading performances in the European Community.

Labour costs in Belgium are also under control – largely thanks to the fall in inflation in a country where wages are indexed to prices. In wage negotiations, the Government has been committed since 1982 to keeping increases within a limit set by the average wage rises of the country's seven major trading partners. The result is that most of the gains in national income have gone directly to companies, and not into pay packets and hence consumption.

With a new wage round just getting under way – amid tentative signs that moderate settlements may be possible again this year – avoiding the inflationary consequences of more expensive imports from West Germany is considered a high priority in Brussels.

That, though, is the good news. The bad news is mainly Belgium's huge budget deficit built up in the spendthrift days of the 1970s and early 1980s. In 1985 this amounted to 12¾ per cent of GNP, in 1986 it was reduced marginally to 11½ per cent, and in the wake of cuts of BFr 200bn negotiated in the middle of last year the hope is that this can be substantially reduced to 8 per cent by the end of the current year.

The problem is that at current interest rate levels Belgium has to borrow simply to service its debt though the signs are that this "snowball" effect can now be contained.

According to Mr Philippe Bruart, economist at the Brussels stockbroking firm of Peterbroeck, Van Campenhout, one of the big challenges for the Belgian authorities is to encourage an inflow of capital. "They will have to make the financial markets more sophisticated and more attractive", he said yesterday.

Greek inflation rate falls

BY ANDRIANA IERODIACONOU IN ATHENS

GREECE's rate of inflation in 1986, the first year of a two-year economic stabilisation programme introduced by the Socialist Government, reached 16.9 per cent against a target of 16 per cent, the Economy Ministry announced yesterday.

The ministry announcement expressed satisfaction that the inflation rate had been brought down by about 8 percentage points from 25 per cent in 1985, but noted that the rate remained much higher than that of Greece's competitors.

Government economists partly attribute the overshooting of the 1986 inflation target to price increases registered last October in anticipation of the introduction of value added tax at the beginning of this year.

The Government imposed a three-month price freeze in early November in an attempt to minimise the repercussions of VAT on inflation.

The authorities have set an inflation target of 10 per cent for 1987. This is understood to allow for a 2 per cent increase in prices due to VAT. Independent economists, however, estimate that the new tax could cause prices to rise by up to 8 per cent this year.

Nuclear test count slows

THE NUMBER of recorded nuclear tests last year was the lowest in 26 years because of the Soviet Union's decision not to conduct the experiments, a Swedish Government agency said yesterday, AP reports from Stockholm.

Sweden's National Defence Research Institute, FOA, said it recorded 21 nuclear explosions in 1986, compared with 30 in 1985 and an annual 50 to 55 during 1978–84.

The 1986 figure was the lowest since 1960, when three nuclear devices were detonated.

Twelve of the nuclear tests last year were conducted by the US in the Nevada desert. France detonated eight nuclear devices and Britain one.

Kohl pledge to farmers on D-Mark revaluation

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday defended last weekend's D-Mark revaluation as a contribution to monetary stability in Europe.

With an eye on West German farmers who have already called for action to make sure the revaluation does not damage agricultural earnings, Mr Kohl warned the EEC of possible complications in the forthcoming round of farm price meetings in Brussels.

Underlining that Bonn "understood" the problems of farmers, he said their interests would be "represented" at coming Brussels talks. Mr Kohl, comfortably ahead in the opinion polls leading up to the general election on January 25, made efforts to play down the impact of revaluation on the economy.

Calling it "acceptable and advisable," Mr Kohl said failure to act at the weekend could have led to a further long period of speculation.

At a news conference yesterday he also outlined a policy of "continuity" in West Germany's relations with its eastern and western neighbours.

He also said he supported the idea of West German companies helping the Soviet Union modernise its nuclear power stations.

Mr Kohl denied that last week's calls from the French Government for a D-Mark revaluation had led to any deterioration in France-German relations.

West German officials say remarks by Mr Jacques Chirac, the French Prime Minister, calling for the currency action caused irritation in Bonn, but the differences now seem to have been buried.

It emerged yesterday, however, that action by the West German Bundesbank to cut money market interest rates may be only modest in coming weeks. The Bundesbank is likely to take action to keep day-to-day interest rates on the Frankfurt money market steady in their present range of 4-4.5 per cent, down from the spread of 4.5-5 per cent before Christmas.

Mr Gerhard Stoltenberg, the West German Finance Minister, said on Monday he hoped a "limited fall" in West German money market rates would follow the EMS realignment. However, he ruled out any immediate cut in the discount or Lombard rates—currently at 3.5 per cent and 5.5 per cent respectively—saying he fully recognised the Bundesbank's reasons for not wanting to make any changes in its leading interest rates.

West German reluctance to cut interest rates was one of the basic reasons triggering off last week's massive speculation within the EMS.

Prospective heavy outflows of funds from West Germany which are likely to accompany the unravelling of speculative currency positions against the French franc will ease the Bundesbank's efforts to rein back excess growth in money supply.

The Bundesbank's money stock—the main yardstick of money supply—has grown by nearly 8 per cent over the past 12 months, well above its 1986 target of 3.5-5.5 per cent. Reaching this year's target of 3-6 per cent announced by the Bundesbank last month, will imply a steep deceleration in the growth of the aggregate over the next few months—a task which has already been complicated by the New Year inflows.

Pentagon's interest has concerned Europe, writes Peter Marsh

US cloud over space station

REPRESENTATIVES of 13 West European nations meet in Paris tomorrow to discuss whether renewed interest by the Pentagon in using a proposed international space station could impede collaboration between the US and Europe in developing the base.

The meeting, a working party of the European Space Agency, will consider the implications of a US government review of plans for the $12bn station, which the US is due to build by the mid-1990s in partnership with Western Europe, Japan and Canada.

The review, prompted by the US military, has caused a month-long postponement of negotiations on building the structure, which is intended to be primarily a civilian facility.

In turn, this has led to fears that plans for an overt military use of the base, possibly for activities related to the Strategic Defence Initiatives (SDI), could make agreement less likely.

Negotiations on this issue, due to be finalised by the spring, have already slipped by several months and proved more difficult than expected. The main stumbling blocks have been a desire by the other countries to be treated as something more than junior partners in the venture and to have the right to organise activities on the base independently of the US.

According to observers, the possible military involvement in the space station could well add a further complexity to the negotiations. "If the Defence Department wanted to have a major say in running the station, it could make it very difficult for the Europeans to finalise an agreement," said Dr Bhupendra Jasani, a space policy analyst at the Stockholm International Peace Research Institute in Sweden.

President Ronald Reagan unveiled plans for the structure three years ago, at the same time inviting the other countries to join the programme. The station is scheduled to accommodate about six people for up to three months at a time, with $8bn of the construction cost contributed by the US.

It is intended to act as a servicing platform for satellites and to house laboratories for experiments in areas such as low-gravity materials processing.

At the time of Mr Reagan's announcement, the Pentagon showed little interest, arguing that the jobs for which it required people in space could be handled adequately by the space shuttle.

Although the military have never ruled out using the station for scientific experiments, the National Aeronautics and Space Administration was careful to state three years ago: "There is no direct linkage between the space station and current or projected military programmes."

Since 1983, however, the shape of the US space programme has changed dramatically, mainly due to the impact of the Challenger disaster last January. As a result of this, missions of the three remaining shuttles are suspended until early next year.

Still more important from the Defence Department's viewpoint, escalating costs have forced it to mothball indefinitely a $3bn launch pad at the Vandenberg Air Force Base in California from which the Pentagon was to have conducted its own shuttle operations. At the same time, the Pentagon's requirements for putting people into space have, if anything, increased as a result of plans for an intense space research programme connected with the SDI.

This sequence of events may have convinced the Defence Department that it should raise its profile in the international discussions about the use of the station. The main US agencies involved in the talks with the other countries have been Nasa and the State Department.

According to the Pentagon, its policies regarding the station are essentially unchanged. "We have no specific plans for the station," said a Defence Department spokesman. "But we want to reserve the opportunity to conduct scientific experiments on the station and to ensure nothing is foreclosed by the negotiations with the US's allies."

The countries involved in the space station talks with the US are, in general, reluctant to speculate about the impact of the US review until they are told of its results during meetings scheduled for next month.

Mr Frederic d'Allest, director general of the French space agency (CNES), which provides the biggest portion of the budget of the European Space Agency, said the review posed "additional problems" for the international discussions. But he had "no major worries" that the main points of an agreement between the US and Western Europe would fail to be thrashed out as scheduled.

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Big freeze threatens East Europe's economic plans

BY LESLIE COLITT IN BERLIN

EAST EUROPEAN countries from the Baltic Sea to Romania reported widespread disruption in transport, energy and industrial production, as a result of continued bitter cold and blizzards. The severe winter storms and night-time temperatures ranging from −18C to −28C threaten to wreak havoc with this year's ambitious economic plans in the region.

Tens of thousands of miners, soldiers and civilian helpers worked around the clock in the open cast brown coal mines of East Germany, Poland, Czechoslovakia and Romania to free frozen mining equipment and railway track of ice and snow.

Low-energy brown coal is used to generate most of East Germany's electricity, and dynamite was needed to unblock moveable railway track in the strip mines. Jet engines were turned on to defrost carloads of coal frozen in railway wagons waiting to be unloaded at power stations.

Nearly 4,000 wagons with frozen anthracite coal were stranded in southern Poland according to the Polish news agency, PAP. Electricity brown-outs affected industry and households, while livestock losses were said to have been widespread in small Polish farms unable to heat their stalls.

Western diplomats in Romania reported that food supplies—erratic even in normal conditions—tightened noticeably in Bucharest and other areas. All but buses and official cars have been banned from the streets of the Romanian capital.

Public transport and private cars were largely immobilised by drifting snow in Hungary, where many factories reported production losses.

A hundred and thirty communities in North Eastern Hungary are entirely snowbound. Rail transport was brought to a standstill in Slovakia and 233 trains were halted by drifting snow throughout Czechoslovakia, where power cuts were frequent.

The East German news agency, ADN, said the port of Rostock, which handles 25 per cent of East Germany's foreign trade, was partially closed. A number of factories lost production and 16,500 consumers were cut off from electricity by fallen power lines.

The rail link between Hamburg and Berlin was rendered impossible by snow, and canals to West Berlin used for bulk transport, were icebound. The city, however, receives much of its fuel from East Germany and has stockpiled oil and coal for several months.

Reuter adds from Moscow: At least 77 people were reported dead in the Soviet Union where officials said it was the coldest January since 1950. The Tass news agency reported that avalanches in the mountainous southern republic of Georgia had killed 29 people and rescue teams were continuing search operations.

In Leningrad, the temperature was −35°C, the coldest since records were started in 1743.

THE POLISH authorities have revealed that the price they pay for Soviet oil, which makes up 85 per cent of annual domestic consumption, has fallen by 11 per cent, writes Christopher Bobinski in Warsaw.

The price drop, the first since the mid-1970s, from roubles 172 (£175) a tonne last year to roubles 153 (£156) a tonne in 1987 reflects last year's fall in the world oil price. Within Comecon, the price of Soviet oil is negotiated on the basis of the average of the world oil price taken for the previous five years—or 1982 to 1986 in this year's case.

Since 1980, the price Poland has paid has risen by 87 per cent. The increased cost of oil, as well as that of natural gas, has been an important factor in contributing to the rouble 5.2bn debt Poland ran up in the 1980s with the Soviet Union.

Imports of natural gas, oil and petroleum products from the Soviet Union make up just over 50 per cent of the value of that country's sales to Poland.

Last-ditch effort in Genoa to avert crippling port strike

BY ALAN FRIEDMAN IN MILAN

OFFICIALS of the Genoa port authority and Communist trade union leaders were last night making last-ditch efforts to head off a potentially crippling strike tomorrow.

The tense negotiations between Mr Roberto D'Alessandro, chairman of the port authority, and leaders of the CGIL union, which represents more than 3,000 dockworkers—more than 90 per cent of the workforce—come six weeks after the start of labour troubles in Genoa. These threaten to undo nearly three years of restructuring and modernisation of the port which was once a leading Mediterranean shipping centre.

Mr D'Alessandro, a former executive at Fiat, Pirelli and Zanussi, has worked since 1984 to privatise and relaunch the port. There were no strikes during the 33 months to December, but now the Communist union is refusing to agree new working arrangements.

The two other leading Italian unions, the CISL and UIL, have already accepted the plan, which will bring Genoa out of 1950s-style "gang methods" into the modern world of containerised shipping.

The CGIL has called on Mr Bettino Craxi, the Prime Minister, to intervene. He seems unlikely to do so, however, having picked Mr D'Alessandro for the job three years ago.

Genoa has already lost more than $5m worth of container business since the labour troubles started last month. If the Communists continue their disruptions, the port's goal of breaking out of loss this year could be placed in jeopardy.

One port official said last night that the struggle was only partly about the working arrangements. "What is really at stake here is the power and influence of the Communist workers' co-operative which is upset that it can no longer call the shots at Genoa, as it used to in the old days," he said.

Struggle in Ireland over budget

By Hugh Carnegy in Dublin

IRELAND'S Fine-Gael Labour coalition today embarks on its final attempt to agree a budget due in two weeks time, with ministers from the two parties still some way apart on the key issue of spending cuts.

If they fail to reach agreement, the Government, elected in November 1982, will fall before the end of the month and a general election will be held in February. Even if they do agree, the budget has little chance of getting through Parliament where the coalition is in a minority.

Today's cabinet meeting will centre on the level of spending cuts needed to meet the coalition's targets for this year of a current budget deficit equivalent to not more than 7.4 per cent of gross national product and Exchequer borrowing of 11.8 per cent. This task was made more difficult by overruns which pushed 1986 results well beyond those levels.

Dr Garret FitzGerald, the Prime Minister, and his 10 Fine Gael ministers want significant cuts in social welfare, health and education spending to meet the targets, arguing that the already very high tax base cannot be extended any further.

Labour's four ministers, led by Mr Dick Spring, the Deputy Premier, believe the Government has gone far enough in cutting social spending and would favour selective tax increases or revision of the deficit and borrowing targets.

Officials from both parties acknowledge that the chances of a budget being agreed are diminishing. The Government must produce a book of estimates, outlining department spending for 1987, seven days before the budget is due on January 28, so time is fast running out.

If Labour, as the junior partner, pulls out of the coalition over the next few days, Dr FitzGerald may carry on to present a Fine Gael budget as Parliament does not resume until budget day.

Even though it would certainly be voted down, it would stand as the party's manifesto for dealing with the country's deep economic problems.

Leslie Colitt reports on moves to make bankers more responsive to profitability

Hungary tackles reform of banking system

HUNGARY has launched Eastern Europe's first profit-oriented and competitive commercial banks this month as part of a major reorganisation of the banking system. The aim is to make those responsible for the allocation of financial resources more responsive to profitability and thus force industry and agriculture to stand on their own feet, rather than depending on state subsidies.

Five new commercial banks will compete to provide loans to companies in every sector of the economy. They are expected to compete mainly in terms of the services they offer, rather than interest rates, which will still be set by the National Bank of Hungary. As well as forming consortia to share business risks when granting large loans, the five banks will be able to create an inter-bank money market to meet their clients' needs.

Hungarian companies have been assigned to one of the five new banks for the first six months of this year. Thereafter, the banks will have to compete for business. Their starting point, however, is decidedly unequal.

The National Bank, which until now has combined commercial bank functions with those of a bank of issue, will continue primarily as a central bank. It will retain its monopoly of foreign exchange, the exclusive right to conduct foreign debt transactions and to regulate the domestic money supply.

It will also, through what Mr Matyas Timar, its president, describes as "open market methods," direct and regulate the activities of the commercial banks.

To begin with, Hungarian companies have been assigned to one of the five new banks for the first six months of this year. Thereafter, the banks will have to compete for business. Their starting point, however, is decidedly unequal.

The Hungarian Credit Bank, for example, has been assigned most of the leading companies which account for two thirds of Hungarian industrial output. Moreover the bank's president, Mr Sandor Demjan, former president of Hungary's most successful retail chain, Skala-Coop, happens to be a leading member of the Budapest Communist Party. Whether the other banks will be able to compete against such an influential rival is open to question.

Apart from central bank control the commercial banks will be subject to supervision by the Finance Ministry and the state will retain a majority share in all of them.

Companies will be permitted to become shareholders, although as this might tie them permanently to one bank, the effect could be to undermine the competition between banks that the system is intended to foster.

Individual Hungarians will not, at this stage, be able to buy shares in the banks, though it is envisaged that one day they may do so, much as they now buy 11 per cent company bonds to beat inflation. This, however, would require significant changes in the law which, as in other Communist countries, does not permit individuals to own companies.

The new two-tier system, based on ideas which have been evolving in Hungary for more than a decade is intended to make the allocation of financial resources more efficient. By separating state disbursements and investments from commercial bank loans, the authorities hope to expose those allocating resources to the financial consequences of their decisions.

This at least is the theory. In practice the new commercial banks appear unlikely to have sufficient scope to make much impact. They will have no more money available for urgently needed modernisation of industry and infrastructure than did the National Bank when it had a monopoly on such disbursements. At the same time state disbursements and investments are set to rise 5 per cent to Forints 215bn (£3.19bn) this year.

The pattern of the last six years is not encouraging. Since 1980, while overall capital investment has fallen by 22 per cent, loss-making heavy industry and mining have been devouring an ever-increasing share of state subsidies to a point where a quarter of the state budget now goes toward propping up loss-makers.

The Government's policy of transferring earnings from profitable to unprofitable companies prevents the efficient ones from accumulating adequate investment funds.

About Ft 9bn of investment capital has been raised since 1984 by the innovative sale of company bonds to other companies and to the public. But this is only a drop in a bucket compared with the nearly Ft 160bn which the Government spent on supporting lame ducks in 1985.

Mr Bela Csikos-Nagy, an influential Hungarian economist, advocates direct foreign investment in Hungary instead of the increased borrowing in the West which last year boosted the country's net debt to $7.4bn.

But Western companies have shown less confidence than Western banks in Hungary's abilities to overcome its present considerable economic difficulties.

Banking confidence was further underlined this month by the opening in Budapest of a new Hungarian commercial bank with Western participation—Unicbank. Capitalised at Ft 1bn ($20bn) it is jointly owned by the International Finance Corporation (IFC — an affiliate of the World Bank), DG Bank of West Germany and GZB, the Austrian Co-operative Bank, each of which hold a 15 per cent share, and a number of Hungarian banks and organisations which have taken up the remaining 55 per cent.

The setting up of Unicbank represents the first investment in a Comecon country by the IFC, and Hungarian officials certainly see it as a vote of confidence.

It follows the establishment last year of a commercial bank in Budapest jointly owned by Citibank of New York, the majority shareholder, and the Central Exchange and Credit Bank of Hungary.

Like Citibank, Unicbank may deal in both forints and Western currencies but it is not licensed to grant loans to individuals. It will accept deposits from co-operatives and state-owned companies and will finance trade as well as providing medium- and long-term investment loans.

But while Western banks are moving in, most Western companies are insisting that they want to see evidence of a few key economic reforms before they will contemplate investing heavily in joint ventures.

In particular, they want to see profit-related differentiation in wages and a reduction in subsidies to loss-makers — reforms which the Hungarian leadership has long resisted for fear of social unrest.

While Mr Miklos Nemeth, the new head of the Economic Policy Department of the party's central committee, insists that these two reforms must be implemented and blames the leadership for its retreat in the fact of "social pressures," most Hungarian economists and officials agree that the leadership under Mr Janos Kadar will proceed slowly and very cautiously.

For reform has become something of a dirty word among the many Hungarians who care less about sophisticated banking than about the problems of reconciling spiralling prices with a fixed income.

Mr Janos Kadar: cautious leadership

Japanese leader has talks in Berlin with Honecker

BY OUR BERLIN CORRESPONDENT

THE JAPANESE Prime Minister, Mr Yasuhiro Nakasone, yesterday met Mr Erich Honecker, the leader of East Germany on his first visit to that country.

He leaves East Berlin for Yugoslavia today and will end his East European tour in Poland. Mr Honecker visited Japan in 1981 and returned with high hopes of forging closer economic links.

Yesterday's talks centred on trade relations between the two countries, which withered after a promising surge in the early 1980s. Bilateral trade reached $357m in 1983 but fell to $181m in 1985, with a substantial surplus for Japan.

Japanese producers have been reluctant to co-operate closely with East European state companies, which are perennially short of hard currency. The Japanese, however, have financed several luxury hotels for hard-currency visitors to East Germany.

Ivory Coast success heads for crossroads

BY PETER BLACKBURN IN ABIDJAN

THE Ivory Coast, regarded as a model for economic development in west Africa, is approaching a crossroads as it attempts to restructure its economy and move towards self-sustained growth, according to a confidential World Bank report.

Although the bank says that "remarkable results" have been recorded and the economy stabilised after four years of economic adjustment, it warns that serious social, agricultural, industrial and financial constraints still need to be overcome if the country is to achieve durable growth.

Failure would not only be a severe blow to the credibility of the World Bank and International Monetary Fund in Africa but could also threaten political stability in one of the staunchest African allies of France and the West.

The Ivory Coast is regarded as a "favourite son" by many multilateral and bilateral donors and, unlike certain other African states such as Zaire, has received massive financial support to carry out economic reforms.

These have included sharp cuts in public expenditure, restructuring of state corporations, promotion of private, especially export-oriented, enterprise, trade liberalisation and greater incentives for farmers.

The World Bank has pumped in aid worth some $1.8bn, most of it since 1980. It recently approved a third structural adjustment loan worth $250m, focusing on reforms in the agricultural and energy sectors.

In order to accommodate the growth in its operations the bank moved in 1985 into purpose-built offices costing nearly $3m in Abidjan's exclusive Cocody district.

The IMF has also provided solid support with four loans worth SDR 732.8m (£611m) since 1981. Its current two-year agreement, which expires mid-1988, continues financial adjustment measures.

Despite the financial improvement, the Ivory Coast still faces a "difficult outlook," according to the Fund. Heavy debt service, vulnerability of public finances to fluctuations in world cocoa and coffee prices and the slow response to industrial reforms are the main concerns.

The Ivory Coast is also the main beneficiary of French aid in black Africa, receiving nearly $200m in 1986. French Prime Minister Mr Jacques Chirac's choice of the Ivory Coast for his first foreign trip last April, only three weeks after his nomination, shows the importance the French Government attaches to Ivorian relations.

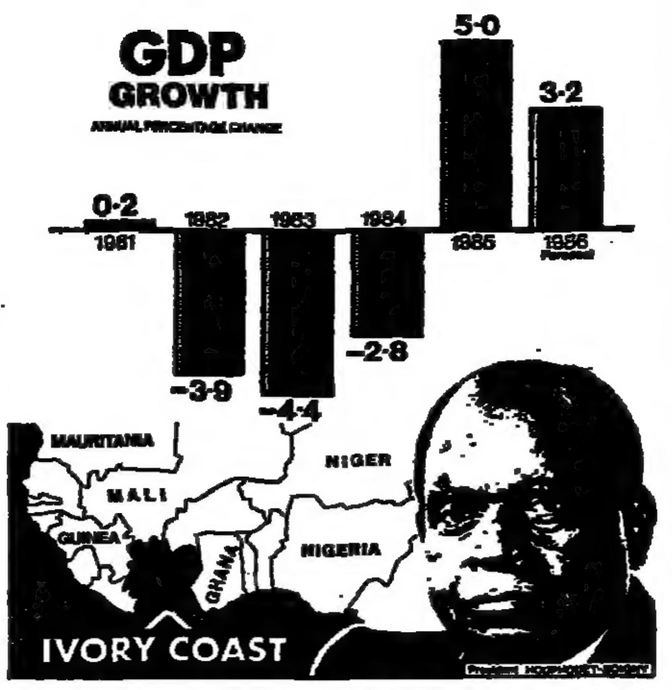
Ivory Coast also used to be a favourite with commercial bankers until it was obliged, after a series of setbacks culminating in a serious drought, to reschedule its external debt in 1983.

However, a four year rescheduling from the London Club of commercial creditors last year shows it is still favourably viewed.

The Ivory Coast also became the first African country to obtain a multi-year rescheduling from the Paris Club of official creditors in 1986.

Both groups were encouraged by signs that economic reforms were starting to yield positive results. The country started to climb out of several years of recession with 5 per cent real growth in 1985, and inflation reduced to 2 per cent. More modest growth of around 3 per cent is forecast in 1986-87 as weaker world commodity markets reduce cocoa and coffee earnings.

But in spite of these encouraging signs the World Bank warns that underlying constraints in the social, agricultural and industrial sectors need to be resolved during the next five years if the country is to achieve self-sustained growth.



Implementation of the World Bank's reforms has to some extent been hindered by the exodus of expatriate, mainly French, technical advisers over the past couple of years due to the country's financial difficulties.

Unlike most other African leaders, President Houphouet Boigny has made extensive use of foreign experts, mainly teachers and technical advisers in government ministeries, since independence from France in 1960.

Commenting on the structural reforms first introduced in 1981, one Western aid donor said: "It was a painful decision for the Ivory Coast to cut its coat to match its cloth. It would be a pity if it slipped back into its former lifestyle," characterised by budgetary overspending, misallocation of resources and too high external borrowing.

Failure to carry through the reforms and resume durable growth could kindle explosive social tensions, Western diplomats here believe, and make the maintenance of political stability a much more difficult task for the ageing President's eventual successor.

S African forces kill 56 Swapo guerrillas

By our Johannesburg Correspondent

SOUTH AFRICAN and locally recruited Namibian forces crossed the Angolan border to launch a series of raids against South West Africa Peoples Organisation (Swapo) guerrillas in southern Angola over the past few days in which 56 Swapo and 6 defence force soldiers were killed.

The South African military headquarters in Windhoek said helicopters and mobile land forces were used in an attempt to forestall the annual wet season infiltration of Swapo guerrillas operating from Angolan bases

The rains have come late to the war zone in northern Namibia this year and intelligence reports showed small concentrations of guerrillas in a shallow zone north of the Namibian - Angolan border where most of the fighting took place. Last year the security forces claimed that 645 Swapo guerrillas were killed by security forces compared to 599 in 1985. Defence force casualties were estimated at roughly 5 per cent of Swapo fatalities.

Swapo is recognised by the United Nations as the "sole representative of the Namibian people"

Faction fighting cuts S African goldmine workforce by half

BY ANTHONY ROBINSON IN JOHANNESBURG

HALF THE 8,000 strong black labour force at the Beatrix gold mine in the Orange Free State has either resigned or been sacked following the outbreak of tribal "faction fighting" last weekend which left 8 Basotho miners dead and 53 miners injured.

Gencor, the mineowners, said that 400 workers had been dismissed for carrying offensive weapons. The figure indicates, for the first time, the scale of the bloody fighting which has induced a further 3,500 miners to resign and return to their homes in Lesotho, the Transkei and Ciskei.

The latest outbreak of factional fighting follows the death of over 60 miners at the end of last year when fighting on ethnic lines broke out at several mines, most severely at the Vaal Reefs complex owned by Anglo-American Corporation.

Union and management officials are still investigating the causes of the latest conflicts which the National Union of Mineworkers blames on the migrant labour system and the single sex hostels organised on tribal lines.

Gencor believes that the specific origin of the outbreak at its Beatrix mine was a fatal stabbing incident outside mine property a week ago.

Local management and representatives of the Lesotho and Transkei tried to persuade workers not to leave, but failed. The company estimates it will take at least two months to replace the lost workers and up to 150,000 tons of ore may be lost as a result.

Beatrix, a new mine which is a sub-division of the Buffelsfontein complex, produces around 170,000 tons of ore a month of an average grade of 6.5 grammes/ton giving around 1,105 kgs of gold bullion.

● Mr Mohamed Valli, acting general secretary of the nation's largest anti-apartheid group, has been detained under the Government's emergency powers, AP reports from Johannesburg.

Mr Valli, who had been in hiding on and off for about two years, was picked up in Johannesburg on Monday evening, other members of the United Democratic Front (UDF) movement said.

Mr Valli has served as the UDF's acting general secretary since Mr Popo Molefe, the permanent holder of that office was arrested and charged with treason along with 21 other activists in 1985.

Deng makes first public attack on protesters

BY ROBERT THOMSON IN PEKING

THE Chinese leader, Deng Xiaoping, in his first public comments on the student protests, yesterday criticised those who took part and attacked two writers and an academic for trying to exploit the students.

Most protesting students openly supported Deng and his reform programme, but the Chinese leader told Mr Noboru Takeshita, the visiting secretary-general of the Japanese Liberal Democratic Party, that the protests showed the students lacked political guidance.

The Chinese leader also accused three party members —Fang Lizhi, an astrophysicist, Wang Ruowang, a writer, and Liu Bingyan, a journalist—of encouraging the students to advocate the "total westernisation" of China. The three have become the scapegoats in the party's campaign against "bourgeois liberalism."

Speculation continued in the Chinese capital yesterday on the whereabouts of Hu Yaobang, the Communist Party General-Secretary, who was "too exhausted" to meet Mr Takeshita. Mr Deng had an opportunity to clear up the mystery surrounding Mr Hu when the visting Japanese politician asked for his best wishes to be given to the party boss, but Mr Deng simply said "thank you."

Diplomats doubt Hu is in immediate political danger, though it is uncharacteristic of him to miss a meeting with a visiting dignitary. A party spokesman questioned on Mr Hu's condition said only that he was "not in good health'."

The future of Zhu Houze, the propaganda chief, is still in doubt. The Chinese press yesterday reported a meeting of senior propaganda officials but did not mention him. The attending officials said publishing had become a "battlefield" for socialist culture and ideology.

Meanwhile, the South China

Deng — student protesters went too far

Morning Post, a Hong Kong newspaper, has published extracts from an alleged directive on containing protests delivered by Deng Xiaoping at a meeting of senior officials two weeks ago. He is reported to have ordered: "When necessary, we must deal severely with those who defy orders. We can afford to shed some blood. Just try as much as possible not to kill anyone."

It is unclear why the Government has chosen to concentrate on the writer, Wang Ruowang, and journalist Liu Bingyan, in its quest to sacrifice a few wrong-doers at the alter of ideology. Both have been regularly accused in the past of writing too much about the "dark side" of communist rule, but neither poses a threat to the party.

The present political infighting will certainly affect the jockeying in preparation for a crucial Communist Party conference in the autumn. It has long been thought that Deng would retire at the conference, and Hu Yaobang has been the favourite to take his place."

However, Deng yesterday told Mr Takeshita that "it seems I have to continue to work." He said he had wanted to retire several times, but his requests had been turned down.

Iraqi troops fail to expel Iranians from bridgehead

BY OUR MIDDLE EAST STAFF

IRANIAN forces yesterday maintained their foothold near Shalemheh, south east of the city of Basra, but showed little sign of being able to advance forward from their bridgehead on the west side of the Shatt al Arab which was established last Friday.

They still had not impinged upon Iraq's heavily fortified defensive positions, according to Western intelligence reports. The situation was described as one of stalemate on the ground.

At the same time it became clear that the Iraqis had made little or no progress in dislodging the invaders despite a claim by Lieut-Gen Abdul Jabar Muhsin in Baghdad that most of the territory seized by the Iranians had been "purged."

He told a news conference in Baghdad that the Iranians were pinned down in a stretch of marsh land about three miles long and roughly half a mile wide.

That, as it happens, was roughly the same area which the Iraqis conceded as being occupied on Sunday.

Nevertheless, General Muhsin claimed that "a decisive victory is imminent after which the Iranians will be rendered helpless." Iran, meanwhile, reported another night of heavy fighting. Tehran Radio said the invading force was continuing its advance towards pre-determined targets.

General Abdul Wahid Mahmoud Towfiq was among the Iraqis killed, according to the Islamic Republic News Agency (Irna).

Baghdad was struck by an Iranian missile, the second Soviet-manufactured Skud B to be launched against it since the latest offensive five days ago. Irna said it was fired at the city's trade centre.

Iraq struck back with another wave of air raids on Isfahan, Dezful and Qom, the religious centre

Irna reported that one person was killed and nine were wounded in the attack on Isfahan.

A French freelance journalist, Mr Roger Auque, was seized yesterday outside his apartment in the Raouche district of West Beirut yesterday but his colleague and compatriot, Mr Paul Marchand, fought off the gunmen and escaped, Our Middle East Staff report.

There was no immediate claim of responsibility for the abduction which brings to six the number of French citizens held hostage in Lebanon.

The two journalists had earlier filmed the early morning activity of Mr Terry Waite, the Archbishop of Canterbury's personal emissary, who later expressed his regrets about the kidnapping. It occurred as Mr Waite started another mission aimed at securing the release of Americans and other hostages held in Lebanon.

Speakes tries to damp speculation over Volcker

BY STEWART FLEMING, US EDITOR IN WASHINGTON

A WAVE of speculation about the future of Mr Paul Volcker, chairman of the Federal Reserve Board, has followed a report suggesting that the White House was on the verge of deciding against Mr Volcker's reappointment.

Mr Larry Speakes, the White House spokesman, yesterday sought to dampen the speculation, refusing to comment on the reports, or on the timetable for the appointment of governors to replace Mr Henry Wallich and Mr Emmett Rice, both of whom retired recently.

The speculation about Mr Volcker's future—which comes as the financial markets are showing considerable nervousness about the recent fall in the value of the dollar—surfaced in Washington on Monday.

A column by the conservative Washington columnists Evans and Novak suggested that Mr Beryl Sprinkel, chairman of the President's Council of Economic Adviser, was the front-runner for Mr Volcker's job.

The Wall Street Journal reported yesterday that Mr Edward Kelley, a Texas investment banker apparently supported by Mr James Baker, the US Treasury Secretary, was being considered for one vacancy on the seven-member Fed board. Mr Llef Olsen, the former Citibank chief economist, was under consideration for the other post, it said.

To the astonishment of those who have followed the Wall Street Journal's editorial line in recent years, it also published an editorial arguing that Mr Volcker should be reappointed when his term of office as chairman runs out in August.

As informed observers try to put together the flow of events, several points stand out. The first is that Evans and Novak do have good sources in the White House and links to supply-side economists.

They are not seen as supporters of Mr Volcker. It was Evans and Novak who broke the news early last year that Mr Volcker had been outvoted in the Fed board on a discount rate decision—a decision reversed later on the same day.

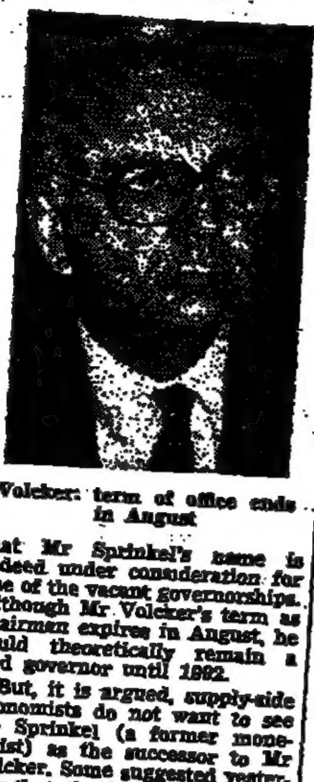
Some in Washington suspect that Mr Sprinkel's name is indeed under consideration for one of the vacant governorships. Although Mr Volcker's term as chairman expires in August, he could theoretically remain a Fed governor until 1992.

But, it is argued, supply-side economists do not want to see Mr Sprinkel (a former monetarist) as the successor to Mr Volcker. Some suggested yesterday that the Evans and Novak column was designed to sabotage Mr Sprinkel's chances by making them known.

The Wall Street Journal editorial in favour of Mr Volcker can also be read as opposition to Mr Sprinkel.

On Wall Street some economists who follow the Fed suggest that it is too early for the question of Mr Volcker's successor to become a live issue, except among those who want to see him replaced and want therefore to undercut his effectiveness.

Perhaps the most worrying aspect of the speculation about Mr Volcker is that it comes at a time of instability in the government in Washington. There is persistent speculation still about whether or not Mr Donald Regan, the White House Chief of Staff, should step down in order to help the President put the Iran arms scandal behind him.



Volcker: term of office ends in August

Details of Argentine loan deal unveiled

By Tim Coone in Buenos Aires

EXPORT-LED growth, inflation control, and structural reforms are the principle elements of the new letter of intent signed by Argentina with the IMF at the weekend, for a new standby loan of $1.35bn (£912m).

"A continuation of the economic expansion observed in 1986, will be a priority objective of our economic policy," says the letter which sets a target growth rate of 4 per cent in gross domestic product (GDP) for 1987 compared to 5.5 per cent in 1986.

Other principle features of the agreement are: maintenance of positive real interest rates, expansion of export promotion schemes, streamlining of import and export-ing documentation procedures and a continuation of gradual exchange rate adjustment to improve the competitiveness of Argentinian exports.

Maintenance of price and wage controls, easing of price restrictions only on goods for which there is strong competitive market supply, and a reduction of the fiscal deficit to 2.5 per cent of GDP — also feature strongly in the agreement.

The structural reforms envisaged by the Government, for which the World Bank has also given provisional approval, make available $2bn over the next two years. They include a voluntary redundancy scheme to reduce public sector employment by 6-7 per cent over three years, continuing reforms of the financial system with a view to an eventual re-establishment of a long-term capital market, and acceleration of privatisation.

Mr Barber Conable, the World Bank president said: "The programme constitutes an unprecedented effort in Argentina to restore sustained economic growth through improvements in the productivity of the Argentine economy in a stable environment."

In addition to the stand-by loan, Argentina is also to receive $480m from the IMF in compensatory finance for falls in export earnings. The letter of intent notes that the Argentina current account deficit grew from $950m to $2,650m in 1986 as a result of declining terms of trade.

Tim Coone reports on public outrage at a law which seeks to stop human rights tr

'Dirty war' victims continue to haunt Alfons

LITERALLY translated, punto final means full stop. In Argentina, however, it has another significance. It has been transformed from the description of a mere grammatical device into a phrase which captures the political drama and trauma of Argentina today.

It is a trauma being spilled out in emotional outbursts in federal courtrooms, in angry meetings in officers' messes, behind closed doors in politician's offices, or in massive street demonstrations attracting all-party support where mothers weep and shake their fists for their disappeared children.

It is the trauma of the "dirty war" of the mid-1970s and the disappearance of over 9,000 people at the hands of para-military death squads.

The punto final is a legislative attempt by President Raul Alfonsin and the leading members of the ruling Radical Party to stop the human rights trials before too many serving military officers and police chiefs end up behind bars on long prison terms and there is a revolt in the barracks.

The punto final was passed as a law, introduced to the Congress at the President's behest just two weeks ago, in the most efficient piece of legislative ramrodding through the normally constipated congressional body in three years of Radical government.

The law gives 60 days (until February 22) for the courts to receive any further judicial denunciations against alleged human rights violators and for the accused in turn to be cited to appear before the courts for investigatory hearings.

After that date, any of the accused not cited will be absolved from any further actions through the courts. The aim was to accelerate the proceedings, but it also anticipated that only a handful more officers, other than the score of cases that are scheduled to be heard by the courts, would ever be placed on trial. In three years only around 30 cases have actually been heard by the courts.

That plan, however, may now have backfired.

The passing of the punto final bill at first seemed a victory for the President and his supporters and produced a sigh of relief in the barracks but it has provoked an outraged debate in the rest of the country.

During a popular family radio programme recently a Jewish human rights leader accused a Jewish member of Congress (who is also a close ally of President Alfonsin) who voted in favour of the bill, of being a Judenrat. The testy senator responded to the bitter insult, calling his opponent "son of a whore" over the airwaves.

Alfonsin: may yet fulfil his election promise

(Jewish political prisoners were singled out for particularly brutal treatment during the repression of the "dirty war" and overt fascist and anti-semitic publications are still to be seen on prominent display on Buenos Aires bookstalls today.)

After dragging their heels for the past three years the courts have now leapt to the human rights activists' side. It is now the height of the holiday season, but instead of closing down for a month the courts are working overtime to process a rush of accusations.

At the end of last week, a grouping of 11 human rights organisations presented a list of 650 named senior officers, which includes 20 per cent of the present top military high command, together with documentary evidence and testimonies which are sufficient, they say, to justify the courts initiating investigatory hearings against the accused. A further 250 personnel accused of human rights abuses are known only by codenames, but the courts have the power to initiate investigations.

The named persons have only to be cited by the courts by February 22. Potentially the courts could keep cases open on almost a 1,000 military and police personnel after the punto final date.

The human rights groups claim the courts have the capacity to do this and they threaten to seek the dismissal of the judges through Congress for negligence if they do not comply. They are also challenging the constitutionality of the punto final law, arguing that it contradicts an article of the constitution which states that all people are equal before the legal system and that the new law makes an exceptio
military.

General Rios Erenu,
the armed forces, is
something of a quandry
portedly promised P
Alfonsin that in return
punto final he would pe
see to it that any
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called to the court wo
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The variety of political
surrounding the punto f
bate has been matched o
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two politicians talking to
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things of the past." "But
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If the courts succeed i
cumventing the punto
President Alfonsin may
fulfil his election promis
bring all those guilty to
despite the pressure being
erted by the armed forces

Brazil to spend $6.5bn on ailing state industries

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL is to spend $6.5bn from its recently created National Development Fund to aid its ailing public sector industries. Of a total Cruzados 120bn, just Cz 19.5bn has been allocated to developing private industry.

The new resources, mostly raised through a system of taxes on petrol and cars, are aimed chiefly at relieving pressure on the heavily indebted state steel and electricity sectors.

Siderbras, the steel holding company, owes about $15.6bn, equivalent to some 91 per cent of its operating capital. Electrobras, which has also claimed severe financing difficulties, has long argued for a substantial rise in electricity tariffs. Both companies are to receive Cz 30bn.

The new grants emerged from the first day of talks of the Government's economic development council, which is attempting to seek a consensus on a new economic strategy, following the collapse of the price-freeze imposed last February under the so-called Cruzado Plan.

It was also revealed that the Government plans to raise tax withheld from monthly salaries by an average of 12.8 per cent to account for pay rises triggered by the inflation-linking of wage rates. The latest blow for consumers came yesterday with reports that prices for basic foods such as rice, corn and beans are set to rise by about 20 per cent.

The Government is attempting to negotiate a "social pact" with the labour unions to hold down salary rises.

UN escort urged for merchant ships in Gulf

A DELEGATION of world shipping leaders is to meet Mr Javier Perez de Cuellar, the United National Secretary General, in New York today to discuss the feasibility of a UN naval escort for merchant ships trading in the Gulf, Kevin Brown reports.

Sir Adrian Swire, chairman of the International Chamber of Shipping, said continued attacks in the first days of the new year had shown that urgent action was needed to protect merchant shipping.

"Our intention is to use these face-to-face talks with the UN secretary general to get that message across," he said.

Sir Adrian said more than 180 merchant ships had been attacked since the outbreak of hostilities between Iran and Iraq in 1980, with the loss of at least 100 lives.

Tax-exempt banking plan for Montreal, Vancouver

THE CANADIAN Government intends to set up tax-exempt international banking centres in both Montreal and Vancouver, but not Toronto, AP reports from Toronto.

A spokesman for Mr Michael Wilson, Minister of Finance, said in a telephone interview that legislation to this end would be introduced shortly. The idea was first floated by Mr Wilson in his budget message last February.

Confirmation that only Montreal and Vancouver will qualify stunned Toronto's political and business leaders. "I feel totally betrayed," said Mayor Art Eggleton. "What's at stake is Toronto's international business reputation and jobs."

Toronto Board of Trade member Mr Gordon Riehl said if Canada was going to have tax-free banking centres, market forces should decide their lo
tion. He condemned Conse
tive Prime Minister Brian M
roney's Government — elec
in 1984 on a platform of l
state interference — for dict
ing otherwise.

He said that 80 per cent
stock market transactions a
bank clearances took place
Toronto, which became Canada
major financial centre in t
1940s without benefit of tax
other incentives.

"Toronto has worked hard
achieve this status," Mr Rie
said, putting the capital
Ontario province on a par wi
the financial markets in Fran
furt, Milan and Paris.

The international bankin
centres would provide tax-fre
banking services for non-res
dents, including foreign ex
change transactions. Canada
major banks now operate such
services in remote tax havens

WORLD TRADE NEWS

US-Japan summit urged in bid to cut deficit

BY NANCY DUNNE IN WASHINGTON

MR ROBERT STRAUSS, former US Trade Representative, yesterday advocated a major US-Japanese economic summit within the next six months, as a start to reducing the US trade deficit.

Appearing as the first witness in four days of Senate Finance Committee hearings on American trade, Mr Strauss said the summit "should be more than a series of photo opportunities . . . a real negotiation where both parties attend fully prepared to put meaningful bargaining chips on the table."

The US, he said, had exercised world leadership by keeping its markets open, but now it must insist on reciprocity.

"Those whose ships loaded with products enter our markets must make room for our ships in theirs," he said.

The hearing, called by Senator Lloyd Bentsen, the new committee chairman, showed little evidence that the committee is willing to turn to protectionist solutions, except in the interest of forcing other market openings.

One senator after another declared that the US budget deficit was a chief contributor to the more than $170bn trade deficit for last year.

"We know it's not just the fault of other nations," Senator Bentsen said. "We're fortunate that the Japanese are coming in and buying our securities, but we also have to understand that it's no Marshall Plan they have in mind, and those securities have to be paid back."

Senator Jay Rockefeller, a West Virginian, talked bitterly about the detrimental effects of Reagan economic policies on various states. However, he said that Democrats stand ready to work with the Reagan Administration, "if they are ready to write a meaningful trade bill."

"The US is on the road to dangerous economic decline," he said, but others cannot be blamed. "It is not the fault of the Koreans that our kids watch Miami Vice instead of studying maths.

"It is not the fault of Taiwan if we don't have a programme to retrain our workers, and it is not the fault of the Brazilians if we turn out investment bankers rather than teachers, scientists and engineers."

Other senators called for more attention to exchange rates and capital flows, tougher fair trade laws, easing of export controls, and anti-trust laws.

AP-DJ reports: President Ronald Reagan will soon ask Congress for changes in anti-trust laws, restraints on imports of counterfeit goods and a $200m (£142m) "war chest" to help US companies sell goods abroad, according to Administration and Congressional officials quoted by the New York Times.

Semiconductor talks to resume

BY CARLA RAPOPORT IN TOKYO

TALKS ON the controversial US-Japan semiconductor trade pact are set to resume in Tokyo later this month, amid continuing complaints that the agreement is not being fully honoured by either Japan or the US.

Japanese industry leaders are still unhappy with many of the individual prices set for their US chip exports, the so-called fair market values (FMVs), which are set by the Department of Commerce.

Based on production costs supplied by the industry through the Ministry for International Trade and Industry (Miti), the FMVs are aimed at stopping any unfair dumping of Japanese chips in the US.

At the same time, US chip makers are claiming that the Japanese are circumventing the pricing pact by selling their products to South-East Asian countries for re-export to the US at prices lower than the FMVs.

Japan's November export figures show that semiconductor exports to Asia in the month leapt by 131 per cent, compared to an overall increase of 67 per cent, and a 25 per cent increase to the US.

A Miti official said yesterday that the marked increase in chip exports to Asia was in large part due to the increased number of Japanese companies now assembling electronic appliances in Asian countries in order to reduce their production costs.

Growth slows in export of Dutch plants

By Laura Raun in Amsterdam

DUTCH EXPORTS of flowers and plants rose 6 per cent to Fl 5.21bn (£1.6bn) in 1986, only half as fast as growth in the past couple of years due to falling prices.

Cut flower exports, in which the Netherlands ranks first in the world, edged up 3 per cent to Fl 2.66bn last year as prices came under heavy competitive pressure.

The Netherlands' share of world exports of cut flowers fell to 63 per cent in 1985 from 66 per cent in 1984. It is not yet known whether the decline continued in 1986.

EEC to open full-time China office this year

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Community is to open a full-time representative office in China this year, to back up the steady growth in trade in both directions, officials said yesterday.

The plan was confirmed following a joint meeting of Chinese government and European Commission officials in Brussels to discuss the whole range of trade relations, investment promotion, and co-operation in science, technology and training.

The EEC enjoys a substantial trade surplus with China, which reached more than Ecu 2.7bn (£2bn) in 1985, falling back slightly to Ecu 1.65bn in the first nine months of 1986, according to Commission figures.

Officials in Brussels maintain that China has enjoyed easier access for its exports to the Community — principally textiles, clothing, agricultural products, and chemicals.

European exports to China, which took third place in Chinese imports in 1985 behind Japan and Hong Kong, but ahead of the US, consist mainly of machinery, transport equipment, iron and steel, and chemical products.

Australia fails to make most of defence exports

BY CHRIS SHERWELL IN SYDNEY

Buried within a recent 569-page report on Australia's defence exports and defence industry is a sad chronology of requests from Thorn-EMI Electronics Australia to the federal government.

The requests seek clearance to promote the Australian-designed and developed Mulloka sonar system in South American markets. Despite dozens of letters, telexes and departmental memos written between February 1982 and June last year, the company's inquiries were simply buffeted around the bureaucracy.

Another part of the report tells the tangled tale of ATA Training Aids, a New South Wales company which manufactures unique and effective target practice systems.

Though the bulk of ATA's orders are from some 20 countries abroad, the company has had appalling problems of approval and export licensing and for South America failed to secure sufficient answers to develop a marketing strategy for its product.

Neither of these stories is untypical, at least to judge by the highly critical analysis by Mr Robert Cooksey published recently. The former academic's report clearly underlines how Australia has missed major trading opportunities for a key element in its manufacturing sector.

His review complements one published in the middle of last year on the country's overall defence strategy. If fully implemented, the two reports promise a departure in official thinking which will affect the armed forces, the defence industry and the economy.

On defence exports Mr Cooksey, like the Labor Government, recognises that such trade is a politically sensitive matter in Australia. But they see clear value in exporting essentially defensive systems or components.

Indeed, the Labor Government has already accepted some of Mr Cooksey's recommendations. In October the Ministry of Defence announced a package of measures designed to help Australian industry bid for defence work and export military products.

That action should counter some of Mr Cooksey's tougher criticisms. He condemned the arrangements for export approvals as "difficult, complex, time-consuming and lackinb both clarity and certitude," although he found some cause for optimism. First, he says, there is a more substantial and more efficient defence industry in Australia than had generally been realised.

Secondly, defence exports, at A$250m (£112.4m) per year, are higher than expected and can, at a conservative estimate, be doubled in three to five years through modest changes in policy and administration.

Mr Cooksey adds that a qualitative change in the industry and its exports performance could be a vital part of the country's much-needed overall export-led recovery.

> One of the biggest changes which must occur is also one of the most difficult. Australians . . . must overcome what has been called a "technological cringe" which leads to a distrustof local inventions

One of the biggest changes which must occur, however, is also one of the most difficult. Australians, he says, must overcome what has been called a "technological cringe" which leads to a distrust of local inventions.

To read Mr Cooksey's lengthy review, Australia undoubtedly has the capacity to improve its defence exports. Well-known international defence names like Thorn-EMI, Plessey, British Aerospace, Hawker De Havilland, Racal, Siemens, Philips, Ericsson all have important establishments in the country.

The Sonobuoy is one of Australia's most successful defence export products, though it is now being manufactured in Britain, apparently after Australia needlessly allowed itself to lose some of the business.

Other successes include the Ikara anti-submarine missile, reckoned to be one of the major achievements of Australian research and development, and the Jindivik pilotless drone. But, as Mr Cooksey laments of all three products, they "are not only the best but the only examples of exports of any value."

Looking ahead, he nevertheless sees several new opportunities. One lies in a A$130m collaboration with the US called Project Nulka (from an aboriginal term meaning "be quick"), which will produce a new defensive system for the ships of the two countries' navies.

Another with exciting potential is Project Jindalee, an over-the-horizon radar system which is expected to allow the monitoring of activities in Australia's 200 km zone and especially its north-western waters.

According to Mr Cooksey, only the US and the Soviet Union have similar radar programmes on a comparable scale and the project offers a commercial opportunity which "could prove very rewarding."

He is decidedly uncomplimentary, however, about the public sector defence industry in Australia. "Despite numerous reviews, recovery plans, cost awareness programmes, continual injection of public funds and some attempts at restructuring and re-organisation," he says, "the factories remain largely uncompetitive, continuing to do much the same sort of work they have been doing for the last 40 years."

Mr Cooksey's main recommendations call for a revision of the guidelines for approving defence exports and the establishment of an Australian Defence Exports Group.

Administration of the new exports controls would be moved away from the Department of Defence and the equally-criticised Department of Foreign Affairs and given to the Department of Trade—a department which, despite being the one functionally committed to exports, has no part in defence export approvals.

The new defence exports group would likewise be part of the Australian Trade Commission and would have a specific charter to facilitate and promote defence exports.

Some of these proposals are now under consideration within the Government. If they are not simply to wither on the vine, action will be needed soon.

The overwhelming conclusion of his work, he says, is that defence exports "are an area of economic activity that must be pursued now, without further delay."

UK NEWS

Solicitors favour mergers

By Raymond Hughes, Law Courts Correspondent

SOLICITORS appear to favour mergers with other professionals in order to counter the threat to their livelihoods posed by banks and building societies undertaking conveyancing.

A survey for the Law Society shows that 26 out of 30 solicitors' firms interviewed would consider merging with other professionals if the Law Society were to relax its rule against this.

Small firms would prefer mergers wtih estate agents, as offering a source of conveyancing work, while larger ones favour accountants, because of their type of client and the opportunities for commercial work.

It is the smaller firms, depending more heavily on conveyancing, that will be most at risk if banks and building societies undertake conveyancing, as they can do now the Building Societies Act is in force.

The survey, by Peat, Marwick, Mitchell & Co, found that, as a percentage of the average house price, solicitors' conveyancing charges have fallen by 26 per cent since 1983, while the conveyancing income of some firms has fallen by as much as 30 per cent over the past four years.

For some larger firms, that resulted from a conscious effort to move from conveyancing into other areas, such as criminal, litigation, matrimonial and commercial work.

The competition resulting in lower conveyancing charges was seen to come mainly from single partner firms quoting extremely low fees and undercutting firms with higher overheads.

Another factor was a comparatively recent trend for people to seek competitive quotes from a number of firms.

Winglaw to build £50m office block

By Our Property Correspondent

WINGLAW, the privately owned property devlopment and investment group, will shortly begin building a 106,000 sq ft office block worth £50m on the City of London's eastern border.

The development emphasises the growing popularity of this part of the City for the expansion of the financial services industry. Pressure on space has forced the industry to look for accommodation outside the core of the City, around the Bank of England.

The building, at 1 Alie Street, will have seven storeys and provide the wide open spaces of up to 20,000 sq ft—now favoured by financial institutions. By using speedy, modern construction techniques, Winglaw intends to have the development ready by May next year.

The block is being built on a speculative basis. Rents in this area have been climbing to about £30 a sq ft, against up to £50 in the centre of the City, and Winglaw is planning to charge between £30 and £35.

Mr Joey Esfandi, Winglaw chairman, said Bankers Trust was providing £27.5m for the development, and Winglaw's own resources would be used only to pay for cost overruns. The finance is available for three years with an option to extend it for a further five. Mr Esfandi refused to disclose the interest rate.

Winglaw's development is the sixth significant office building scheduled for completion on the eastern rim of the City, north of the Tower of London, between now and mid- 1988.

The other five buildings will provide about 750,000 sq ft of office space.

Mutual fund for legal costs proposed

By Hazel Duffy

SOLICITORS are considering proposals from a working party of the Law Society which could lead to a mutual fund being set up to pay for some court cases.

The results of an investigation by the Funding of Litigation working party will be submitted to the Council of the Law Society probably within the next two months.

Lawyers on the party have also been looking at the possible introduction of a contingency fee scheme—payment by results — for tribunal work. Clients cannot claim legal aid for cases which go to tribunals.

Concern has been expressed by solicitors that the Government intends to restrict legal aid.

The Lord Chancellor's department will be publishing a white paper on legal aid in a few weeks' time, which follows a report published last summer proposing restructuring of the scheme by a team of civil servants.

The cost of legal aid, forecast at about £400m this financial year, has been rising steeply.

Industry power is cut to maintain domestic supply

BY MAURICE SAMUELSON

THE CENTRAL Electricity Generating Board (CEGB) last night cut supplies to some of its biggest industrial consumers in order to avoid the risk of electricity blackouts in England and Wales.

Similar steps were taken by British Gas which like the CEGB, had to cope with the highest ever demand for home heating.

The CEGB disconnected some 2,000 MW from industrial customers under its emergency load management arrangements. The companies affected, like those which had their gas cut off, buy their energy on special terms allowing for interruption in very cold weather.

By doing so, and with the help of more available capacity, the CEGB avoided a repetition of Monday night's 3 per cent voltage reduction which caused a slight dimming in lighting levels.

At the time, it was facing an all time record demand for 48,300 MW, nearly 2,000 MW more than was available. Last night's peak demand was expected to rise by a further 1,000 MW.

It hoped to meet it by maximising its use of nuclear and fossil-fuel power stations, including the expensive gas turbine plant, and by importing 200 MW from the South of Scotland Electricity Board.

The CEGB was also receiving some 500 MW from France through the 2,000 MW capacity cross-Channel cable link. Last week, use of this link was interrupted by the strike in the French power industry. In the last few days, it has also been used to send UK electricity to France.

British Gas said yesterday that on Monday it had sent out a record 11,027m cubic feet of gas, more than 1bn cubic feet more than in last February's previous record.

In addition to the gas flowing in from North Sea fields, the corporation also had to draw on its emergency winter stocks. It also drew on its supplies of liquefied natural gas.

Meanwhile, the Electricity Council has urged elderly and infirm people not to turn off electric heating because of anxiety about meeting the eventual bill. It said all area boards would give hardship cases a sympathetic hearing.

● Mr George Foulkes, a Labour MP, said yesterday that the prime ministers should be charged with manslaughter for the deaths of old people because of the cold. Many hundreds of old people were going to freeze to death, because of inadequate help with their heating bills, he claimed.

Debate warms up, Page 8

Ulster MP accused of mob terror

By Hugh Carnegy in Dublin

MR PETER ROBINSON, the Democratic Unionist MP for East Belfast, was accused yesterday of being an active participant in mob terror when a large group of Loyalists from Northern Ireland took over a village in the Irish republic.

He was appearing in Dublin's special criminal court at the start of his trial on 11 charges of unlawful assembly, assaulting and causing actual bodily harm to two Irish policemen and causing malicious damage to cars and property in the border village of Clontibret, County Monaghan, in the early hours of August 7 last year.

Mr Kevin Haugh, prosecuting counsel, said he was not seeking to prove that Mr Robinson himself actually perpetrated the incidents of assault and malicious damage, but that the MP was part of "a cohesive planned operation" designed to cause the type of offences which took place.

Mr Robinson, flanked by two policemen as he sat in the dock, denied all the charges. Detective Sergeant Peter Hunt told the court that he arrested Mr Robinson, the only person detained during the incident, after he and two other detectives called to the scene fired a volley of revolver and automatic shots over the heads of a crowd beating two uniformed policemen.

Sergeant Hunt said he did not know Mr Robinson's identity until after he arrested him. The MP was wearing a dark rubber rain suit with a hood covering the back of his head and was running away with the crowd when he was grabbed, the detective said.

The prosecution said the crowd, many of its number masked and carrying cudgels, and possibly firearms, intended to provoke confrontation. It drilled in military style, painted slogans on walls and damaged property including a police station. It set up a roadblock and terrified local residents.

Mr Haugh rejected Mr Robinson's contention that he was in Clontibret to assess border security in the republic.

The hearing continues.

Savings shortfall for building societies

BY HUGO DIXON

THE increasing difficulty building societies are having in attracting retail savings was underlined when the Nationwide Building Society, Britain's third largest, published its annual results yesterday.

It raised more money on the wholesale financial markets in 1986 than it did from retail investors – the first time a building society has done this.

The results, which forewarn of financial difficulties for the society in the coming year, showed net profits up £27m at £83m in 1986. This was not enough to raise the society's reserve asset ratio, which stayed at 4.2 per cent.

Other societies have been trying to increase their reserve asset ratios in response to pressure from the Building Societies Commission, the industry's new regulatory body.

Net retail receipts fell from £1.1bn in 1985 to £906m last year, not nearly enough to fund the society's mortgage landing, which experienced record growth. The total mortgage book was £10.2bn at the end of the year, as against £8.1bn last year.

As a result, reliance on wholesale markets increased sharply with net funding going up from £342m to £990m. Even this was not enough, and the societies' liquidity ratio took the rest of the strain, falling from 20.4 per cent to 15.3 per cent.

Mr Tim Melville-Ross, chief general manager of the Nationwide, admitted that the society would have to do better in the retail market this year. Last year's remedies could not be repeated.

Wholesale deposits are now 15 per cent of total deposits, fast approaching the limit of 20 per cent set by the 1986 Building Societies Act which came into force at the beginning of the year. Moreover, the Building Societies Commission is unlikely to want to see the society's liquidity ratio fall much further.

Mr Melville-Ross predicted that interest rates would have to go up to attract retail savings and said he hoped there would not be as much competition from the equity market, particularly the Government's privatisation issues, this year. However, if retail saving did not increase by much, mortgage lending would have to be restrained.

The Nationwide's purchase of a network of 360 estate agency offices has not been reflected in the year's results. The £85m this is costing will be paid over the next six weeks, taking the society's reserve asset ratio down to 3.5 per cent.

This is by far the lowest of any major society and could lead to problems with the Building Societies Commission.

BBC fee to be indexed

BY RAYMOND SNODDY

THE GOVERNMENT has decided to end the present method of setting the BBC licence fee and instead index it to the retail price index (RPI).

Mr Douglas Hurd, the Home Secretary, is expected to make the announcement in the House of Commons today. Indexation of the licence fee will begin from April 1988 and run for an initial period of three years – the present colour licence fee is £58.

The base figure on which the new licence fee will be calculated will be £60. In November last, the RPI was running at an annual rate of 3.5 per cent – a figure that would give the BBC an annual increase of a little over £2.

The Peacock Committee into the future of British broadcasting which reported last summer rejected advertising on BBC television and instead advocated a period of indexation as an interim measure on the way to subscription television.

Multiple share suspects identified

TOUCHE ROSS, the accountancy firm which acted as watchdog over the £5.6bn offer for sale of shares in British Gas last month, has identified nearly 4,000 suspected multiple applications, Richard Tomkins writes.

The Department of Energy would not say yesterday how many individuals appeared to be involved, but confirmed that there were a number of apparently serious cases.

Touche Ross and N. M. Rothschild, the merchant bank which sponsored the flotation, have written to suspect applicants asking them to explain their apparent multiple applications. Those who provide satisfactory explanations will get their shares.

Those who cannot provide adequate explanations will get their money back without interest. The most serious cases will then be passed to the Director of Public Prosecutions, who will decide whether to bring proceedings.

□ MR NIGEL LAWSON, the Chancellor of the Exchequer, signalled that he hopes to cut income taxes in his March budget, but insisted that he would only announce reductions if it was "prudent and safe" to do so. Speaking on BBC radio, the Chancellor appeared more optimistic than in recent months about the prospects for a reduction in the basic rate of tax from the present 29p in the pound. In the immediate aftermath of November's Autumn Statement he suggested that planned increases in public spending had dimmed hopes of a lower rate.

□ BRITISH TELECOM appeared to be moving closer to suspending some of its workforce in response to the industrial action by engineers and junior and middle managers over pay. BT said that its major problem was the weather but that the dispute itself was having no effect on customers.

□ ROLLS-ROYCE MOTOR increased world wide sales by 9.5 per cent to 2,803 cars last year and the company expects a further improvement in 1987. Sales in the US, Rolls-Royce's major market, increased for the fourth consecutive year to 1,155 in 1986. UK sales were up 13.8 per cent to 806 cars. A record 54 were sold in Japan, and in continental Europe and the rest of the world 640 were registered, nearly 15 per cent ahead of the 1985 total.

□ MEMBERS of the print union Sogat '82 have voted down their leaders' call for a six-month levy to help replace funds depleted in the year-long conflict with News International. Mr Rupert Murdoch moved the Times, Sunday Times, Sun and News of the World to a high-technology plant in London's Docklands without union agreement. The national ballot rebuff threatens to deepen the financial crisis already facing the 206,000-strong union. It also signals the increasing isolation of Sogat members sacked by the company.

□ SOARING overseas sales of the Rover 200 series car have led to a jobs boost for the Midlands, Austin Rover said. The state-owned car company is planning to recruit an extra 150 assembly workers so that it can step up production. Export sales of the Rover 200 – jointly developed by Austin Rover and Honda of Japan and launched in 1984 – have shot up by almost 80 per cent in 1986 and the car is proving increasingly popular in France, Spain, Italy and Portugal.

Seeking political capital in City

Peter Riddell reports on Labour plans to use recent financial scandals against the Conservativ es

THE CITY of London has been identified as an electoral liability for the Conservative Party by Mr Robin Cook, Labour's spokesman on the City.

Mr Cook says of recent events in the City: "Things are being done which ordinary people find difficult to understand." Labour is determined to make it a major political issue, tarnishing the Conservatives' image.

Mr Cook is already clearly on top of his brief although he only took over two months ago as Labour's trade spokesman in what amounted to a job switch with Mr Bryan Gould, who took his place as Labour's campaign co-ordinator.

In recent days he has pressed the Government to issue an interim report on Guinness as well as challenging the system of statutorily backed self-regulation established in last year's Financial Services Act.

On Guinness, Mr Cook points to an average length of inquiry of two years and argues that this would leave everyone involved in uncertainty.

He rejects the view of Mr Michael Howard, the Under-Secretary for Corporate and Consumer Affairs, that any interim report which stated what matters were being pursued would necessarily compromise any subsequent legal action.

Furthermore, Mr Cook says that the major questions of public policy relating to the operations of the Companies Act and the Takeover Panel are more important and urgent than any particular charges.

The main thrust of the Government's counter attack, as expressed by Mr Howard, is that Labour has not suggested any specific new powers to deal with recent cases. Mr Cook argues that it is not a question of new powers but more one of structure, resources and culture.

Rejecting self-regulation, he maintains that the Government itself was only willing to give limited powers to the Securities and Investments Board as a private company limited by guarantee. The Government, he claims, has already shifted its ground from proclaiming the virtues of self-regulation to stressing the strength of the SIB.

Labour proposes a body similar to, but not identical to, the US Securities and Exchange Commission (SEC). It would be publicly funded and a statutory agency appointed by, although independent of, government with investigatory and prosecuting powers. But Mr Cook says that such an agency would not have the secondary law-making role of the SEC, nor would it become involved in plea bargaining.

Mr Cook argues that its funding would be on a more generous basis than under the present private arrangement. He is critical of the Government for showing a lack of commitment and vigour in providing staff, particularly lawyers, to pursue cases.

He also sees a cultural problem. He argues that the Department of Trade and Industry is not terribly impressive at the job of investigating, as is shown by its handling of licence dealers. The civil servant's natural instinct is to smooth the way and not to risk headlines, not the qualities required by a successful investigator. These powers might be better performed by an SEC-type body.

Overall, Mr Cook argues that the Government has created a climate in which City scandal has flourished, the City and the Conservative Party are part of the same family. City organisations are flourishing – with an explosion of salaries and other payments as a result of the fees for privatisation and a relaxed policy on monopolies and mergers.

"In a very real sense Ernest Saunders as Man of the Moment was a product of the current City culture. The Government has to take its share of the responsibility for creating that culture."

Moreover, in his view, the City represents "Mrs Thatcher's economic values at their most raw, a totally free market, an aggressive entrepreneurial spirit and minimum regulations."

The Conservative Party, he says, cannot escape complicity for what has happened, even although it clearly does not sanction illegal dealings.

The Labour Party intends to pursue these issues through parliamentary questions and through the House of Commons debate before Easter on the order setting up the STB. The party also intends to publish more detailed proposals on the City early next month.

Mr Cook is careful to stress that Labour wants to work with, and not turn its back on, the City, however much the party criticises current abuses. He sees a lot of advantages in the Big Bang deregulation of the City, not least in the creation of more internationally minded bodies which would be more pragmatic, and less politically prejudiced in their attitude to Labour. He remains willing to talk to people in the City.

Mr Cook concedes that not many people may vote Labour because of concern about insider dealing. But since the City is the clearest expression of Mrs Thatcher's economic values, the spate of scandals will tarnish her and the Tories' image. Recent events, he says, have made the case for a government prepared and willing to intervene in market forces.

Kinnock sacks arts spokesman over BBC clash

BY JOHN HUNT

MR NEIL KINNOCK, the Labour leader, has dismissed Mr Norman Buchan, as the party's spokesman on the arts, after a dispute over the control of the BBC and the other broadcasting organisations.

Mr Buchan, a left-wing MP was sacked at a four-minute meeting with Mr Kinnock yesterday, at which a sharp exchange of views occurred. In his place, Mr Kinnock has appointed Mr Mark Fisher, aged 42, also a left-wing MP who is being given the title of Spokesman on the Arts and Media.

Mr Fisher, a former documentary film producer and script writer, is an old Etonian and the son of former Conservative MP, Sir Nigel Fisher. Mr Buchan wanted regulatory powers over the BBC and the Independent Broadcasting Authority taken away from the Home Office and the Department of Trade and Industry and vested it Labour's proposed new Ministry of the Arts and Media.

Mr Kinnock apparently feared that this would lead to accusations that Labour was setting up a ministry of culture to dictate to the media. He insisted that the powers remain with the two Whitehall departments.

At the party's home policy committee meeting on Monday night, he pressed amendments removing Mr Buchan's proposal from the policy document which commits a Labour government to set up the new ministry. The committee approved Mr Kinnock's amendments by a vote of 10 to 6.

But at yesterday's confrontation, Mr Buchan made it clear to Mr Kinnock that he still intended to campaign for the policy of the regulatory powers being vested in the ministry.

Mr Buchan emphasised that he did not wish to interfere with the artistic freedom of the BBC. But he argued that his scheme was essential to ensure fair access to new technical developments, particularly satellite TV. He did not want them dominated by "the Murdochs and the Maxwells."

According to Mr Buchan, he reminded the Labour leader that this policy was endorsed by the party's annual conference and therefore he would continue to reiterate it. Mr Kinnock told him he could not do so from Labour's front bench.

Unions prepare IBM target

BY PHILIP BASSETT, LABOUR EDITOR

THE TRADES union congress (TUC) should co-ordinate attempts in the UK to unionise IBM, the world's largest computer company, to prevent damaging inter-union competition for members, a leading electronics union official said yesterday.

The suggestion came at a specially-convened two-day international trade union conference which agreed a series of aims and actions to try to establish or increase unionisation in the mainly non-union company.

Mr Tim Webb, national electronics officer of the white collar union ASTMS, acknowledged that there was now fierce competition for members, especially in the high technology sector, among British trade unions. But that policy would not do for IBM. Such fragmented efforts would be played off against each other by the company.

He said: "At some stage we have to sit down and form an IBM organising committee within the TUC." He was supported by Mr Larry Cohen, organising secretary of the Communication Workers of America, who said unions needed to avoid competition between themselves, and suggested instead that individual unions "adopt" an IBM plant.

The conference, organised by three international union federations – the IMF metalworkers, the PTTI communication workers and FIET, representing white-collar workers – adopted a broad statement of aims maintaining that the organisation of IBM employees was of vital importance for the future of all unions.

The conference required the three union federations to:

- Act as a clearing house for information on IBM;
- Publish a twice-yearly newspaper on the company, to be distributed to IBM employees;
- Identify key target groups in IBM for organisation;
- Provide IBM employees with a wider picture of the company's operations;
- Collect where possible details of IBM's pay and conditions;
- Publicise what the unions see as the company's continuing involvement in South Africa.

The unions will also examine the company's performance in complying with OECD guidelines on multinational enterprises, and the ILO's declaration on multinationals and social policy.

Labour warms up cold weather attack

BY TOM LYNCH

THE PLIGHT of those who cannot afford heating is to be debated today in the House of Commons after a Government announcement yesterday that a £5-a-week payment is to be paid this week to all eligible supplementary benefit claimants, as a result of the severe weather.

Mr Neil Kinnock, the leader of the opposition, announced on a point of order in the Commons that today's debate, which had earlier been allocated to the opposition, would be devoted entirely to "the condition of the old and the cold and the problem of fuel poverty." It had previously been expected that half of the time would be taken up with a debate on the economy.

Mr Kinnock's decision followed the announcement of the payment and a fierce exchange at Question Time between himself and Mrs Margaret Thatcher, the Prime Minister.

Mr John Major, a junior social security minister, told MPs that it was his "firm expectation that the trigger point for severe weather payments will be reached throughout the country this week. In view of this and the unprecedentedly cold weather, I wish to make it clear now that the extra payment of £5 will be made to everyone in the qualified groups this week."

The payment is made to householders on supplementary benefit who have less than £500 in savings where a resident of the house is chronically sick or disabled, a pensioner or a child under two. It is triggered when the average temperature in any Monday to Sunday week is less than minus 1.5 deg C.

The initiative on this week's payment is thought to have come from the Prime Minister, who called Mr Major, Mr Norman Fowler, the Social Services Secretary, and Mr John MacGregor, the Chief Secretary to the Treasury, to Downing Street yesterday morning to discuss the proposal.

Mr Major told MPs: "The Government is determined that vulnerable groups should know where they stand without delay so that they will not be discouraged from heating their homes during this very cold spell. In the unlikely event that not all the areas reach the trigger point, action will be taken to validate the payments made."

Industrialists urge more international view of mergers

BY DAVID CHURCHILL

Mr Paul Channon: asked to explain referrals

THE Confederation of British Industry (CBI) yesterday urged the Government to take a broader, more international view of business competition when deciding which mergers should face official scrutiny by the Monopolies and Mergers Commission.

The suggestion came during a meeting between Mr David Nickson, president of the CBI, and Mr Paul Channon, the Trade and Industry Secretary.

The meeting formed part of the Government's current review of merger and competition policy, due to be completed later this year.

Mr Nickson argued that the existing merger guidelines, formulated by Mr Norman Tebbit when Trade Secretary, should be "re-interpreted to place much greater emphasis on the present international scale of markets."

CBI members, he added, believed that the Government's decisions on merger referrals were still being taken with too much emphasis on the competitive position in the UK market of the companies involved.

The meeting with the Trade Secretary was also used by the CBI to press again for more detailed explanations to be given by the Government over why certain mergers were referred while others were not.

Mr Nickson argued that detailed reasons outlining the relative importance attached to the different factors involved would create the foundations for a set of general principles for merger referrals.

"Flexibility would be safeguarded because the Secretary of State would retain his discretionary powers," he explained. "In breaking any precedent, however, the Trade Secretary would be obliged to explain why it was necessary."

The CBI is also keen to see merger investigations carried out by the Monopolies Commission speeded up. Mr Nickson and other CBI officials told Mr Channon that their members could not understand why UK investigations took longer than in other countries.

To help to speed up investigations the CBI suggested the appointment of more full-time commissioners and longer secondments to the commission's staff from the private sector.

Truck production slips back to 1984 level

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

UK COMMERCIAL vehicle production last year fell back to the 1984 level – which was the lowest for 25 years – but car output remained just above 1m, thus confounding many forecasters who expected it to go below that important mark.

According to provisional estimates from the Department of Trade and Industry, only 228,800 commercial vehicles were produced in the UK last year, 14 per cent below the 1985 total and only marginally ahead of the 224,800 for 1984. Car production fell by 3 per cent compared with 1985 to 1.018m.

Commercial vehicle output last year was held back by changes within Ford, the UK's leading producer. In the early part of 1986 the company only gradually built up production of the new Transit, which replaced Britain's best-selling commercial vehicle.

At the same time, output of its Cargo truck range was hit by uncertainties generated by the merger of Ford's medium and heavy truck operations with those of Iveco, the Fiat-owned group, which took place in July.

The UK truck industry as a whole also suffered from an almost complete absence of export orders from the developing countries and from the steep drop in bus demand, created by deregulation, which continued into 1986.

The fall in UK car production was in sharp contrast to new car sales which last year increased by 2.75 per cent from the 1985 peak to a record 1.88m.

Output reflected the difficulties of Austin Rover, the state-owned Rover Group's subsidiary and the major car producer in the UK, which suffered a substantial fall in both sales volume (down by 31,000 to 293,000) and market share (down from 17,7 per cent to 15,5 per cent) in 1986.

However, Austin Rover did much better in export markets last year and its two large rivals, the US-owned Ford and General Motors, both increased UK car output.

Hanson offshoot plans town for 15,000

BY PAUL CHEESERIGHT

LONDON BRICK, part of Hanson Trust, has drawn up plans for a new town to accommodate 15,000 people near Peterborough, about 45 miles north of London. The local district council is expected to take a planning decision on the scheme next month.

The township would be on a 800-acres site of reclaimed clay pits once used by the company to provide the raw materials for brickmaking.

The project would be spread over 15 years, and the cost of preparing the site with the provision of roads, drainage, transport links and landscaping would be about £313m. The first phase would cost nearly £44m, but housebuilding costs would be in addition to that.

The proposal is the latest in a line from private developers wanting to undertake major residential projects. In recent months, similar proposals have emerged for sites near Swindon and Bristol, in the west of England.

London Brick is holding talks with a major but unspecified property development company on bringing the scheme to fruition.

Only when London Brick has decided whether to go forward in a joint venture or to proceed with the development on its own will the question of funding the venture be addressed.

Virgin chief rises to balloon race challenge

BY LYNTON McLAIN

MR RICHARD BRANSON, the 36-year-old chairman of the £250m turnover Virgin group, launched a plan yesterday to make the first crossing of the Atlantic by a hot air balloon, this summer. The balloon is to be made by Thunder and Colt, using fabric from ICI designed to absorb heat from the sun and help lift the balloon.

The launch at the Royal Aeronautical Society, London, was slick, precise and convincing until Mr Don Cameron, chairman of the rival Cameron Balloons company got to his feet and challenged a stunned Mr Branson to a race across the Atlantic using a rival hot air balloon.

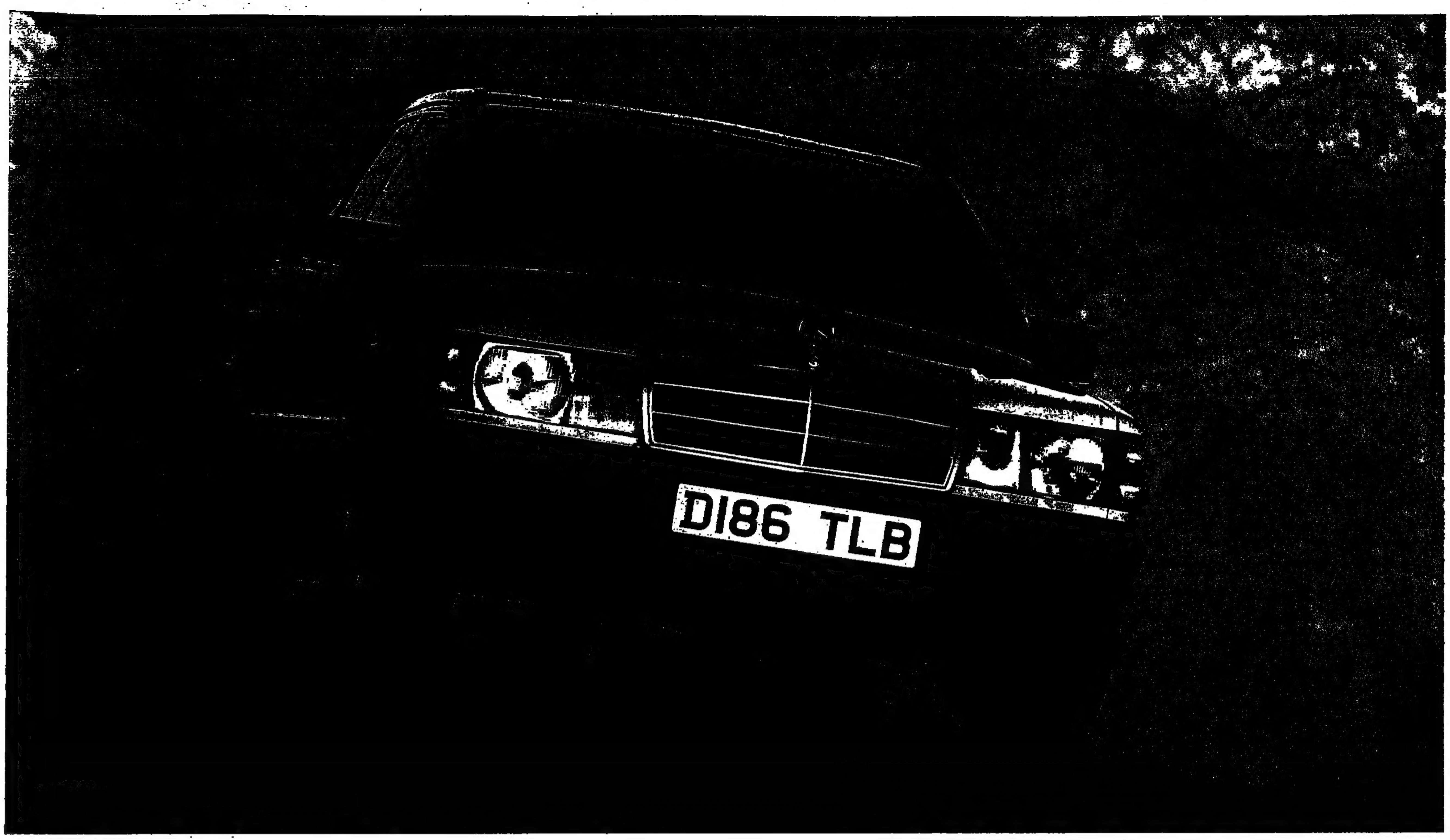
The Virgin chairman was caught off his guard, upstaged at his own press conference.

The Virgin plan was for the balloon to fly from New York, along the heavily populated Atlantic seaboard, skirting Newfoundland and out over the Atlantic, borne by the wind. Mr Cameron was unhappy about the dangers of balloons laden with propane gas flying over populated areas. He preferred to start from Newfoundland, where previous Atlantic crossings have started.

"I offer you the challenge, if we can agree on a starting place," Mr Cameron said as he marched to the podium where sat Mr Branson and his co-pilot, Mr Per Lindstrand, the head of Thunder and Cold.

Mr Branson accepted the challenge, but said he had not given as much thought to the dangers of the overland crossing. "It is too early to say if we accept the suggested change of start," he said. "But a race would be exciting."

Virgin Atlantic Airways is funding the £750,000 needed to get its sunlight absorbing balloon designed, built and flying. Mr Branson expects the project to end up costing his airline nothing, after taking account of the sponsorship from ICI, Esso, Land Rover, Thunder and Colt and other companies.



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Payment of principal and interest guaranteed by

Barings plc

BARINGS

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from January 15, 1987 to July 15, 1987 the Notes will carry an interest rate of 63/8 % p.a.

The interest payable on the relevant interest payment date, July 15, 1987 against coupon n°3 will be US$ 320.52 per Note of US$ 10.000.

The Agent Bank
KREDIETBANK
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Company Notices

YAMAICHI ADVANCED TECHNOLOGY FUND
10a, Boulevard Royal
Luxembourg

NOTICE TO SHAREHOLDERS
NOTICE OF MEETING

Notice is hereby given that the second annual general meeting of Yamaichi Advanced Technology Fund will be held at the registered office in Luxembourg, 10a, Boulevard Royal, on:

THURSDAY 22nd JANUARY 1987 AT 11 NOON

for the purpose of considering the following agenda:

1. To receive and adopt the directors' report and the report of the statutory auditor for the year to 31st October, 1986.
2. To receive and adopt the balance sheet and statement of operations as at 31st October, 1986.
3. To grant discharge to the directors and the statutory auditor in respect of the execution of their mandates to 31st October, 1986.
4. To receive and act on the statutory nomination for election of directors and the statutory auditor for a new term of one year.
5. To appropriate the earnings.
6. To transact any other business.

The resolution will be carried by a majority of those present or represented.

The shareholders on record at the date of the meeting are entitled to vote or give proxies. Proxies should arrive at the registered office of the company not later than 24 hours before the meeting.

By order of the Board of Directors
J. Pierson, General Manager

CHEMICAL NEW YORK CORPORATION
US$250,000,000
Floating Rate Subordinated Capital Notes due October 1997

In accordance with the provisions of the Notes, NOTICE IS HEREBY GIVEN that for the interest period from January 9, 1987 to April 9, 1987, the Notes carry an interest rate of 5⅞% per annum. The interest payable on the relevant interest payment date April 9, 1987 against Coupon No. 6 will be US$789.06 per US$50,000 Note.

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CHEMICAL BANK

National Westminster Bank PLC

Notice to Preference Shareholders

Notice is hereby given that a dividend of 2.45p per share for the half-year ended 31 December 1986 will be paid on 27 February 1987 to holders of the Cumulative Preference Shares registered in the books of the Company at the close of business on 5 February 1987.

By order of the Board
G J POVEY, Secretary
41 Lothbury, London EC2P 2BP
13 January 1987

NOTICE OF REDEMPTION
to the holders of Debentures payable in American currency of the issue designated 7½% Sinking Fund Debentures due January 15th, 1988 of the
PROVINCE OF QUEBEC
Canada

In the Redemption Notice which was published on 15th December, 1986 the following number should have been included in the List of Outstanding Drawn Debentures from January 15th, 1986 drawing.

10,864

PROVINCE OF QUEBEC

Dated: January 8th, 1987.

Legal Notice

NOTICE OF APPOINTMENT OF JOINT ADMINISTRATIVE RECEIVERS

We, Christopher John Hughes and Christopher John Barlow of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ were appointed joint administrative receivers of KEROSENE DELIVERIES (TOTTENHAM) LIMITED (Trading as BOWEN FUELS SERVICE). Registered Number 818325, by Gulf Oil (Great Britain) Limited on 30 December 1986.

NOTICE OF APPOINTMENT OF AN ADMINISTRATIVE RECEIVER

Christopher John Hughes of Cork Gully, Chartered Accountants, Shelley House, 3 Noble Street, London EC2 was appointed administrative receiver of Structural Developments Group PLC.
Registered number: 1711514.
by APA Venture Capital Fund Limited and APA Ventures II Limited on 31 December 1986.

NOTICE OF APPOINTMENT OF AN ADMINISTRATIVE RECEIVER

Christopher John Hughes of Cork Gully, Chartered Accountants, Shelley House, 3 Noble Street, London EC2 was appointed administrative receiver of TEM Building Products Limited.
Registered number: 1716580.
by APA Venture Capital Fund Limited and APA Ventures II Limited on 31 December 1986.

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UK NEWS

Sun presses $25m claim over aborted oil deal

BY MAURICE SAMUELSON

THE ISRAELI Government is being sued in Israel for trying to buy North Sea oil from Britain in defiance of British regulations on exports of oil.

It is the latest bizarre twist in a marathon battle between Sun Oil, the 10th biggest US oil company, and Bulk Oil, a small Swiss-registered trading company with offices in London. The case has already lasted five years and is set to last for many more. One of the protagonists has told his lawyers: "You have a job for life."

Sun is seeking $25m, in damages and lost interest over a sale to one of Bulk's affiliate companies which fell through when Bulk confirmed that the oil was bound for Israel.

By suing the Israeli Government, as well as the Israeli oil company Delek, Sun is displaying considerable faith in the the Israeli judiciary on an issue of keen local interest.

Israel has long felt that the UK's refusal to supply oil is influenced by fear of angering the Arabs. Whitehall officials indignantly deny this, claiming that the prohibition is merely a fortuitous part of the much wider policy on disposal of UK oil.

The dispute originated in May 1981 when British Petroleum, which operates the Sullom Voe terminal in Shetland, refused to load a cargo of oil on to a Greek tanker which was waiting to sail for the Mediterranean.

It was the first of 13 cargoes, totalling 860,000 tonnes and worth about $200m, which Sun had contracted to supply to Bulk Oil (Zug), a Swiss affiliate of the Bulk Group. Instead, Sun had to sell the cargoes more cheaply at Rotterdam.

Sun has since been seeking compensation from Bulk, claiming that it knew Israel was a prohibited customer. But since Bulk Oil (Zug), has gone out of business, Sun has started proceedings in Tel Aviv against the people for whom the oil was ordered.

Sun has already established its case in the British courts and last year the European Court of Justice rejected a plea by Bulk that Britain's Israeli oil ban illegally breached an earlier EEC-Israeli trade agreement.

The two companies are also locked in a string of related cases in the US and Italy, and Sun plans further litigation in Switzerland. The UK's oil export guidelines were introduced in January 1979 in conditions of worldwide oil scarcity by Mr Tony Benn, the former Labour Party Energy Secretary.

In a ruling which has been upheld by all subsequent energy secretaries, Mr Benn authorised deliveries of North Sea oil only to fellow members of the EEC and IEA and other countries with which there was an "existing pattern of supply." This included Finland, but automatically excluded Israel.

Mr Benn said that before announcing the ruling he first established that it would cause Israel no serious difficulty. These rules remain in force even though the oil scarcity in which they were formulated has long since given way to a worldwide glut.

Israeli sympathisers claim that this proves that they really were an anti-Israeli measure, and were framed to protect BP and other major UK oil companies from complications in the Gulf.

Meanwhile, Israel has no difficulty in obtaining all its oil requirements, and Israeli ministers have, for some time, ceased raising the matter in high level contacts with Britain.

NEC to build Midlands factory

BY NEIL BENNETT

NEC, the Japanese electronics group, yesterday confirmed that it will build a £36m multi-purpose factory in Telford, Shropshire, in the Midlands. It is hoped to start production by the summer and will employ 900 people by the 1990s.

The 48-acre lakeside factory will be the European headquarters for the manufacture of NEC's four main product groups: communications equipment, computers, electronic devices and home electronics. It will be owned by a new company, NEC Technologies UK.

NEC plan to start making video cassette recorders in a temporary plant by July. These will be followed by colour televisions, mobile telephones, facsimile machines and radio pagers.

The company, which already has a semi-conductor factory in Livingston, central Scotland, will receive a Department of Trade and Industry grant for the factory, believed to be almost £7m. Mr Paul Channon, the Industry Secretary, said: "I'm delighted that NEC chose Britain for such a major investment."

BUSINESS LAW

Companies can refuse capital allowances

ELLIS v BP NORTHERN IRELAND REFINERY LTD
ELLIS v BP TYNE TANKER CO LTD
Court of Appeal (Sir Nicolas Browne-Wilkinson, Vice-Chancellor, Lord Justice Balcombe and Lord Justice Bingham): December 12 1986

A COMPANY may waive its right to claim capital allowances against corporation tax, and if it chooses to do so the allowances are not automatically deductible by the Revenue.

The Court of Appeal so held when dismissing appeals by Richard Malcolm Ellis, inspector of taxes, from Mr Justice Walton's decision *(FT, August 6 1985)* that BP Northern Ireland Refinery Ltd and BP Tyne Tanker Co Ltd were entitled to renounce their claim to capital allowances for corporation tax purposes.

Section 56 of the Finance Act 1965 provides: "(1) In computing for purposes of corporation tax a company's profits for any accounting period there shall be made . . . all such deductions and additions as are required to give effect to the provisions of the Income Tax Acts which relate to allowances . . . in respect of capital expenditure . . . (2) Allowances . . . shall be given effect by treating the amount of any allowances as a trading expense of the trade . . ."

LORD JUSTICE BALCOMBE said that the companies were assessed to corporation tax in nil amounts. They appealed to the Special Commissioners who allowed the appeals. The inspector of taxes appealed. Mr Justice Walton dismissed both appeals and the inspector appealed from his decision.

The point was whether, for corporation tax purposes, the capital allowances to which a company was entitled were to be credited automatically whether it wanted them or not, or whether only those allowances which had been specifically claimed by the company were to be taken into account.

The inspector argued for the former result. The companies argued for the latter, with the deliberate intent of claiming less than the full amounts to which, by statute, they were entitled. They calculated that by not claiming capital allowances in less profitable years, they could claim annual allowances in later, more profitable years.

The modern system of capital allowances was introduced by the Income Tax Act 1945 as a relief from income tax. It was common ground between the parties that from 1945 to 1965 a taxpayer had the right to choose whether or not to take the capital allowances to which he was entitled.

The Finance Act 1965 introduced a new tax, known as corporation tax, which was a tax on the profits of all companies resident in the UK, and on certain profits of non-resident companies trading in the UK through a branch or agency. Those companies were removed entirely from the charge to income tax.

Corporation tax was charged on the profits of a company, being the sum of its income and its chargeable gains.

The general structure of the new tax was that, subject only to specific exceptions, the income element of a company's profits was to be computed in accordance with income tax principles, while the capital gains element was to be computed in accordance with capital gains principles.

In relation to corporation tax, capital allowances were relevant only to the income element of a company's profits; any relief to which the company might be entitled as a result of capital allowances had to be taken into account in calculating its income before that was aggregated with any capital gain for the purpose of determining taxable profits.

The Revenue contended that the effect of section 56 (2) of the Finance Act 1965 was to make a capital allowance a "trading expense of the trade" for the accounting period in question. Trading expenses were automatically deductible in computing trading profits. Accordingly, it was argued, the effect of making a capital allowance a trading expense was to obviate the necessity for a claim to the allowance and to make it automatically (i.e. compulsorily) deductible.

The submission was wrong. Capital allowances were not compulsorily deductible against profits for corporation tax purposes.

First, they continued to be referred to as "allowances." An allowance, being a thing allowed, carried the connotation that what was allowed should first be claimed. Secondly, neither section 56(2) of the 1965 Act, nor section 73(2) of the Capital Allowances Act 1968 Act, said that capital allowances should be deducted as trading expenses. All those sections did was to provide that capital allowances "shall be *given effect* by *treating* the amount of any allowance as a trading expense."

That language seemed entirely consistent with the companies' contention that capital allowances still had to be claimed for corporation tax purposes but that, when claimed, they should be given effect by treating them in a particular manner.

The procedural changes introduced by the Finance Act 1965 and the subsequent consolidating legislation were consistent with that construction. In particular, provisions of earlier income tax legislation, which referred specifically to "claims" for allowances, were retained in relation to corporation tax.

Mr Potter, for the Revenue, sought to explain away those many references as being "slips" by the draftsmen.

But the submission required the assumption of a degree of aberration on the draftsmen's part which was almost beyond belief. The more likely explanation was that the draftsmen retained the references to claims for capital allowances in the corporation tax provisions advisedly because they understood, correctly, that those allowances were still required to be claimed.

Nothing in schedule 6 of the Finance Act 1966, which contained provisions for the administration of corporation tax, was inconsistent with that view.

The relevant law was consolidated in three statutes: the Capital Allowances Act 1968, the Taxes Management Act 1970 and the Income and Corporation Taxes Act 1970. The substance of the corporation tax provisions introduced by the 1965 and 1966 Acts remained unchanged by the Consolidating provisions.

Part III of the Finance Act 1971 made major changes to the law on capital allowances for plant and machinery acquired after October 27, 1970. In respect of allowances to which it applied, companies were given a two-year period of disclaimer for "first-year" allowance. At first sight it might appear that a right of disclaimer was inconsistent with the necessity to claim allowance, but what was intended was that a company which had claimed a capital allowance was given two years in which to change its mind. The position, therefore, remained unaffected by the provisions of the 1971 Act.

The appeal should be dismissed.

LORD JUSTICE BINGHAM, agreeing, said the Revenue argued that with the introduction of corporation tax in 1965, capital allowances were to lose any permissive quality for companies subject to corporation tax. Not only was the Revenue obliged to grant the allowances, but the company had willy-nilly to accept them whether it wanted to or not.

If the draftsman of the 1965 Act had intended to make that change one would have expected him to have said so in clear and explicit language, and to have made a line by line scrutiny of the existing legislation in so far as it was to be incorporated in the new, to ensure it contained no provisions inconsistent with that legislative intention.

However one read the relevant sections it was not possible to extract the sort of statement that one would expect if a clear and well understood practice were to be altered. In the absence of clearly demonstrated legislative intention the references [to claims] must be seen as an indication that there was no intention to make any change.

The Vice-Chancellor agreed.

For the companies: GR Aaronson QC and Terence Mowschenson (Linklaters & Paines)

For the Revenue: Charles Potter QC and Alan Moses (Inland Revenue Solicitor)

By Rachel Davies
Barrister


For those
who've already
arrived.
BRITISH AIRWAYS
The world's favourite airline

AIR TRANSPORT

Tim Coone on Argentina's long awaited privatisation programme

Austral flotation on the runway

USTRAL, the Argentine domestic airline which heads the list of state companies to be privatised by the Alfonsin Government, appears to have reached its final bureaucratic hurdle.

After years of fruitless efforts to return the company to the private sector, following its takeover by the Government in 1980, the airline's assets are expected to be placed on public offer within a month. "All that is required is the minister's signature" said Mr Eugenio Negri, the director of aviation in the Ministry of Public Works and Transport.

Mr Pedro Trucco, the minister, along with nearly all of Argentina's officialdom, is presently enjoying the sunshine along the country's Atlantic beaches, "but within three months, allowing time for the tender to be publicised and for the offers to be opened and considered, the company will probably be back in private hands," said Mr Negri.

This time it does seem to be for real. Last August, senior government officials were predicting that the company would be privatised "within weeks," but overlooked the extensive bureaucratic procedures that still had to be embarked upon. The presidential decree authorising the privatisation was signed last September "and since then we've been working all out on it" said Mr Mauricio Jaras, the company's president.

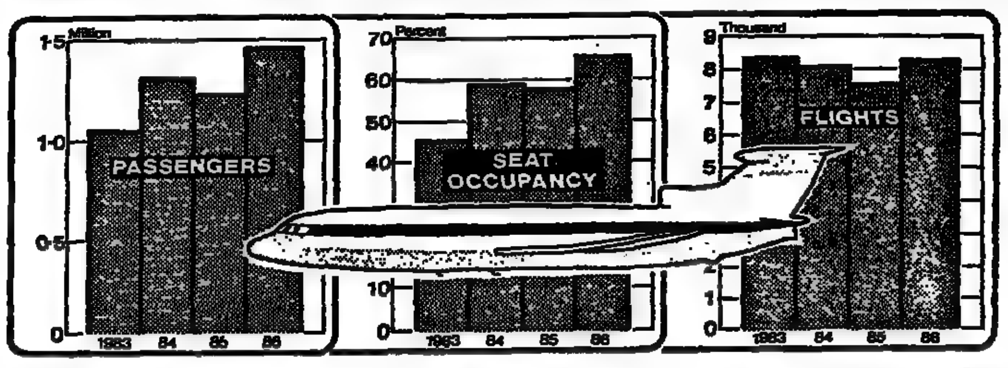
He said that the floor price of the sale has been fixed at $27m by the privatisation committee, substantially below the $39m "technical valuation" of the company's assets "so as to promote adequate interest in the sale and to encourage rival bids which we hope will exceed the technical value" said Mr Jaras.

Ministerial approval of the valuation is the final step before the company goes on public offer "and the Minister has already given his verbal approval" said Mr Negri.

Austral was taken over by the Government in 1980 following a period of disastrous management by its owners which ran up debts now estimated at $200m. Allegations of fraud and misappropriation of funds surround the company's collapse and takeover, and involve Mr Martinez de Hoz, the former economy minister under the military junta.

By the time the present democratic government came to power in 1983, Austral was absorbing a government subsidy of $2m per month. Under new management however, the company began making an operating profit within 12 months and has been ever since, according to Mr Jaras. However, he declined to give details. "We have demonstrated that there is no reason why this company cannot be run profitably, and in line with the government policy to reduce its direct participation in the economy it is time to sell it," he said.

Austral is a leading case in the government's proposed strategy of privatisations. Despite three years of government commitment to privatisation however, the results are still negligible, the only notable examples being a small company producing electrical machinery, and another aviation and travel company, which was formerly part of Austral.



Austral's chequered history and the controversy surrounding its previous collapse have made its privatisation into something of a political football. Previous efforts to sell it in 1981 and 1983 failed through lack of interest and another failure, or worse, a sale to inadequate owners requiring further state intervention in the future, would be a major political setback for the Government. Considerable time and care has therefore been taken to ensure that this sale goes smoothly.

The company is being sold with none of its debt. Assets include four leased DC-9 80 aircraft, eight BAC 111 aircraft, hangars, workshops and spares, as well as office equipment and computer systems installed in the company's rented headquarters and ticket offices.

"Operations will not have to stop for even 15 minutes during the transfer," said Mr Jaras.

The floor price, $13m below the price sought on previous sale attempts, is attractive at first glance. Three of the leased DC-9s have options to purchase, with $14m already paid off. The option purchase price is also below existing market prices for the aircraft according to one local expert.

The company presently operates 26 routes within this huge country with an average seat occupancy rate of 66 per cent. Other productivity coefficients, such as number of passengers per employee, and aircraft utilisation rates, place it well above other state owned airline Aerolineas Argentinas, and on a par with well managed small airlines elsewhere in the world.

A total of 1.5m passengers were carried in 1986, 30 per cent of all national air traffic, and Austral's planes have frequently been operating 10 to 12 hours daily. Annual turnover is thought to be in the region of $80m and operating costs are just over $6m per month.

The future buyer(s) will have routes guaranteed for 15 years, and a new system of flexible tariffs favourable to the airlines, which is to be introduced later this year.

The main condition of the sale is that the new owner must guarantee to maintain an adequate service on the routes during the 15-year period, and which will require a modernisation of the fleet's ageing BAC 111s, now approaching 20 years in service.

"They are reaching the end of their useful life with us" said Mr Jaras "and will gradually have to be either re-fitted with more fuel-efficient engines or replaced by more modern aircraft." The remaining life of the BAC-111s will therefore be of critical importance in the tender, and the implication that this holds for future investment needs in the company.

Both the Government and the company are remaining cagey as to who has shown interest in purchasing, but local press reports point to possible Japanese, Australian and Argentinian buyers. The main criteria for the selection of the winning tender is described by Mr Jaras: "The buyer that has shown a history of successful airline management would be the ideal, and we work downwards from there."

Foreign investment is being invited, although local capital will have to provide at least 51 per cent control according to Mr Negri.

Lining up behind Austral for privatisation are government shares in several petrochemical complexes owned by the Ministry of Defence. According to the head of the air force, Fabrica Militar de Aviones (FMA), the country's main aircraft manufacturer, is also to be partially privatised.

FMA is negotiating with McDonnell Douglas of the US, Aeritalia of Italy and Embraer of Brazil on joint production agreements, and the resulting modern production facilities are likely to be an attractive proposition for the private sector.

The petrochemical sector is more dubious. The state-owned General Mosconi complex, geared mainly to export manufacture, has had 49 per cent of its shares on offer for the past two years "and nobody has yet come forward to make a concrete offer," said Mr Hector Formica, the under-secretary for energy, in an interview with a local financial paper last August.

Over-production of petrochemicals on the world market makes private ventures into this sector uncertain at present. Indeed with the local financial markets offering real annual interest rates of 30 to 40 per cent to the investor, there is still little incentive to the Argentinian investor to go wandering into the minefields of state sector company ownership, unless there is a real bargain waiting to be snapped up.

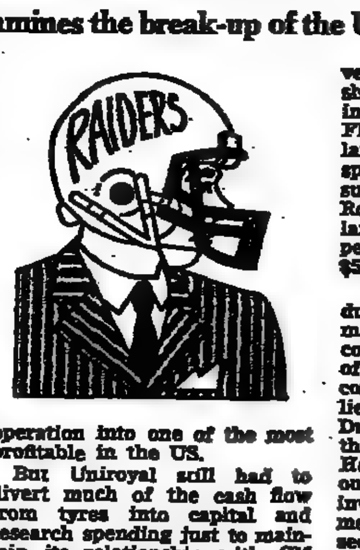
MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Uniroyal

The pressure that caused a blow-out

James Buchan examines the break-up of the US tyres group



THERE used to be a company called Uniroyal. It was once one of the largest US industrial companies. It owned tyre factories and shoe factories, chemical plants and plantations.

Last month, Uniroyal ceased to exist. In under a year, every chemical plant, plantation and factory has been sold. What began life in 1892 as the United States Rubber Company has shrivelled to a tiny corporate husk, employing a few dozen people in Middlebury, Connecticut.

Uniroyal was taken private in the summer of 1985 in a highly leveraged buyout involving management and Wall Street investors. It was a classic display of Wall Street's readiness to pull equity capital quite brutally out of declining industries and replace it with the low-grade, high-yielding debt known as "junk bonds." In Uniroyal's case, the debt proved intolerable and the business was broken up.

Five hundred people at corporate headquarters lost their jobs directly as a result and the remainder of the 20,000 people Uniroyal once employed now work mostly for corporate entities heavily indebted to banks or bondholders—or are pensioners. Common shareholders did well but not as well as the Wall Street firms involved in the buy-out. "We have just paid out $185m to people who put $15m into the buyout," says Martin Dubilier, the Wall Street buy-out specialist who liquidated Uniroyal.

Uniroyal was not exactly a flourishing business. The US tyre industry has closed 29 plants in the past 10 years; capacity was too great as tyres have lasted ever longer, wheels got smaller and imports captured a quarter of the market. When Joseph Flannery took over as chairman of Uniroyal in 1980, the business had built a mountain of debt to diversify into chemicals but still depended deeply on supply contracts from General Motors. With car sales weak, around $2bn in revenue was earning next to nothing.

Flannery closed two tyre plants, forced a pay cut on the workforce, reshaped the marketing of tyres and turned the tyre operation into one of the most profitable in the US.

But Uniroyal still had to divert much of the cash flow from tyres into capital and research spending just to maintain its relationship with GM and hold its share of the more important replacement market at close to 5 per cent.

Meanwhile, the reduction in the workforce through early retirement had saddled Uniroyal with unfunded pension liabilities of nearly $500m. There were two pensioners for every employee. Uniroyal's share price, which had risen from $3 in 1980 to $18 at the beginning of 1984 in recognition of the Flannery overhaul, began sliding again and closed out the year at $13.75.

Uniroyal was just the sort of business to attract the raiders stalking Wall Street. In November 1984 B. F. Goodrich, the Akron, Ohio, tyremaker, had just secretly paid Carl Icahn $41m as his price for not launching a takeover bid and then late last year Sir James Goldsmith was bought out at a premium from Goodyear, the market leader. When Flannery attempted in early 1985 to gain shareholders' approval for anti-takeover measures, he flushed out Icahn, who had been quietly buying Uniroyal stock. In April 1985, Icahn announced a tender offer for Uniroyal at $18 a share.

The Uniroyal board spent three weeks trying to find a white knight but the only serious approach came from Ethyl, a Richmond, Virginia, chemical company which was mainly interested in the chemical business. "Ethyl made a very convoluted offer that showed they had less interest in our tyre business," says Flannery. He then trawled the large Wall Street firms that specialise in leverage buy-outs, such as Kohlberg Kravis & Roberts, but ran aground largely because of the unfunded pension liabilities of about $550m.

Dubilier says he was introduced as "a last resort of management which wanted to control its destiny." The son of an inventor, and a former company doctor himself, Dubilier's buy-out vehicle, Clayton & Dubilier, was small beer against the likes of Kohlberb Kravis. He had never attempted a buy-out on this scale. His equity investors had a war chest of a mere $46m. "Everybody could see the parts were worth more than the whole. Carl Icahn saw that but people were scared of the pensions thing. We thought we could get that liability down."

In a leveraged buy-out, it is quite usual for the entire cash flow from operations to go towards servicing acquisition debt. But the Dubilier group had to bid at least $22 a share, or almost break-up value, to dislodge Icahn. And Drexel Burnham Lambert, the investment bank pre-eminent in raising the sort of low-grade corporate debt needed, attached onerous conditions. Uniroyal had to repay no less than $750m in debt by the end of 1987 or face transferring 20 per cent of the equity to Drexel's clients.

The offer prospectus in August made clear that lower working capital and a boost to cash flow would not be enough: "Effecting substantial asset dispositions is the only feasible way to retire that quantity of indebtedness by such date."

The $950m buyout turned Uniroyal from a reasonably well capitalised company into a heap of junk. Shareholders' funds of $773m collapsed to $76m and the shareholders' register to a small group consisting of the Dubilier group, the management and Drexel and its clients. Uniroyal had $1,105bn of bank debt and high-yielding notes and debentures. Around $50m went into expenses and fees to Wall Street, Flannery or Icahn.

Martin Dubilier (left) and Joseph Flannery: tired of fighting off Carl Icahn

Dubilier said he looked at piecemeal disposals—of tyres or chemicals, or the smaller plastics and transmission businesses—but "none would raise enough." Uniroyal had to be liquidated and as soon as possible before changes in the tax code to be made this year make liquidations more expensive.

One by one the smaller businesses were sold. Last May, the jewel in Uniroyal's crown, the chemical operation with sales of $570m, was despatched at a price of $760m to Avery, a tiny coal company with sales of just $7m that Drexel had found.

In July of last year, Uniroyal and Goodrich formally spun off their tyre operations into a separate joint venture. Goodrich, which had been trying to get out of tyres for some time, and the new owners of Uniroyal each took a special dividend of $225m from the joint venture and loaded it with debt of $500m and unfunded pension liabilities of $245m.

Dubilier had already reduced the unfunded pension liability by $300m. With the help of John Dwight, a pensions consultant from Burlington, Vermont, he says he secured the reduction by locking the youngest group of potential beneficiaries into a long-term package of corporate bonds yielding 10.4 per cent. Dwight insists firmly that these are not yet more junk bonds, liable to refinancing at a lower rate and carrying higher risks of default. "The plan is absolutely properly funded," he says. "If I were a retiree, I would be happier that Martin Dubilier took these steps." The remaining pension liability will be met from the Goodrich-Uniroyal joint venture's cash flow or funded, Dubilier says. Dubilier, having been sued by a group of pensioners, has set aside $75m to meet future health benefits.

It is too early to identify the future of the main businesses. Avery announced in November that it had raised over $1bn for the purchase of the chemical operation, primarily through issues of junk bonds. Avery's chief shareholder is another Drexel client, Triangle Industries, which used junk bonds to acquire National Can in 1985, multiplied its sales five-fold in the process and was the stock market's star performer that year. Analysts believe that Triangle, which consolidated its move into beverage cans with the purchase of American Can's operations last year, is using Avery and Uniroyal Chemical as off-balance sheet vehicles for expansion into chemicals. Avery says it has about $330m in excess cash for possible future acquisitions.

There is considerable enthusiasm for the tyre joint venture. It is the second largest tyre maker after Goodyear, with about $2bn in sales and 19,600 employees. Given economies of scale, a further shrinkage in capacity and a lower level of imports because of a weaker dollar, analysts are confident that the joint venture can service its relatively high level of debt. "It's not awfully leveraged," says Flannery. "It made sense because they (Goodrich) are strong in the replacement market, and we in original equipment." Len Bogner, an analyst at Prudential-Bache, says: "They were assuredly not as strong individually."

Some people regret the passing of Uniroyal. Flannery says: "I regret what happened to the company. Never in my wildest dreams did I think that something like that would happen. But once everything started in the spring of 1985, you just do the best you can."

Dubilier is sorry about the loss of white-collar jobs. "It really bothered me to dismantle their headquarters. That's the saddest part of this."

This is the second article in this series. The next on Unocal, will appear on Friday.

Why Scandinavians are classic exporters

BY MICHAEL SKAPINKER

MOST British managers would probably be astonished to hear that they had too much of an export mentality. How can one have too much of an export mentality? Isn't winning new markets abroad crucial to the success of British industry?

It certainly is, a conference at Ashridge Management College was told last week, but looking for export markets is not enough. What is required is a perception of the world as a glbobal market. It is in this search that even some of the best British companies fall down.

Kevin Barham of Ashridge Management College's Research Unit told the conference that Scandinavian managers appear to have a more sophisticated approach to international markets than their British counterparts.

His conclusion is drawn from initial findings of a research project which Ashridge is carrying out on behalf of the Foundation for Management Education into the ways in which successful businesses are preparing their managers for the future.

The project is looking at ten companies, six in Britain and four in the rest of Europe, which have been chosen for their consistently successful financial performance and their reputation for an innovative management approach. Ashridge has not yet identified the companies involved, but they include both manufacturing and service organisations.

Interviews are being held with a cross-section of managers, including the chief executive, in each company to ascertain the sorts of challenge they expect to face in the future and how they are preparing their managers to deal with them. Interviews have so far been completed with the six British companies and with two leading Scandinavian companies.

Among the issues being raised with the companies is how they are dealing with the internationalisation of business. Barham points out that a recent survey by International Management indicated that European companies in general are increasing their commitment to doing business abroad. "This includes, for example, efforts to foster a global corporate image, involvement in international alliances, sourcing more components from foreign firms, and expanding production abroad."

While emphasising that the research project has not yet been completed, Barham said that "in most of the British organisations we have talked to the issue of internationalisation does not figure strongly in managers' talk. When discussed at all, it is usually a chief executive or a corporate planner who perceives it as an issue.

This does not mean that the companies are not aware of the need to look beyond Britain for their business, he said. "Many managers are indeed focusing on external challenges, including in particular the need to counter Japanese competition. They are generally very positive in their determination to become more market- and customer-oriented. But the impression gained is that some UK firms are still looking at the international scene with an export mentality rather than a global perspective."

The Scandinavian companies show greater evidence of such a global perspective, Barham says. To start with, the need to think internationally appears to have penetrated far more deeply into their organisations.

"This drive to internationalisation was expressed by most of the managers we talked to and is to be found at all levels of management in these organisations," Barham said. "It is often the first thing that managers will raise when asked about future challenges. The contrast with the UK is partly to be explained by the fact that the small domestic markets of the Scandinavian countries have often forced them to exploit international markets much earlier in product life cycles.

"Some Scandinavian firms may also have come to the international scene more recently than have many UK firms, so it might be expected that the issue would carry some freshness and enthusiasm. Whatever the reason, the strength of the Scandinavians' international vision is striking," Barham said.

One of the concrete manifestations of that greater Scandinavian commitment to international trading is well-known: facility with foreign languages.

Another is giving greater responsibility to junior managers in setting up and running foreign operations. One junior manager in a Scandinavian company had been set the task of setting up from scratch a sales operation in a Third World country, employing 250 people.

TECHNOLOGY

How US business is making the most of expert advice

Europe lags behind in race towards artificial intelligence, reports Alan Cane

THE US seems set to maintain and increase its domination of expert systems, a technology of great strategic importance in both business and defence, according to a major report* published this week.

Europe is only lagging by 12 to 18 months in the development of commercial expert systems, it says, but a reluctance to invest heavily in the technology, coupled with a preference for small-scale developments of limited scope, will prejudice its chances of developing a healthy expert systems industry.

Expert systems are the first commercial spin-off from over 30 years of research into artificial intelligence. They store human expertise in computer systems in such a way that questions asked of the system are answered in a seemingly reasoned manner.

A laboratory curiosity only a few years ago, they are now being used in earnest by a wide range of businesses. According to the report, over 50 of these systems are now in regular operational use in Europe.

They include, for example, "Parys," an expert in personnel management installed at over 200 sites in the UK, "Solon," which is used at 30 French sites for the production of public tender documents and "Cadbau 3," a German expert system which helps in the design of steel-framed buildings.

An expert system is a combination of the computer itself, which may be specially designed, coupled with software which contains the elements of machine intelligence.

According to the report, Europe is holding its own with the US in only one area of expert systems development, the creation of "shell" software, basically model systems which can easily be moulded to suit a particular application. Helix Expert Systems of the UK, for example, has a shell called "Expert Edge" used by the Bank of America to develop an expert system to help clerical bank staff with queries about letters of credit.

Shell software apart, the Europeans are well adrift. The production of software "toolkits," which makes it easier to manufacture an expert system, is dominated by US specialists like Intellicorp, Inference and the Carnegie group.

Artificial intelligence language development is also dominated by the Americans, although a French development, Le List, shows promise.

Conventional and specially built computers for artificial intelligence work is again a US province, the report says.

There are only two possible European contenders in the special purpose hardware category: a special workstation built by the French company Amaia which runs the two most popular artificial intelligence languages "Lisp" and "Prolog," and a computer called "Rekursiv" pioneered by Linn Products of the UK.

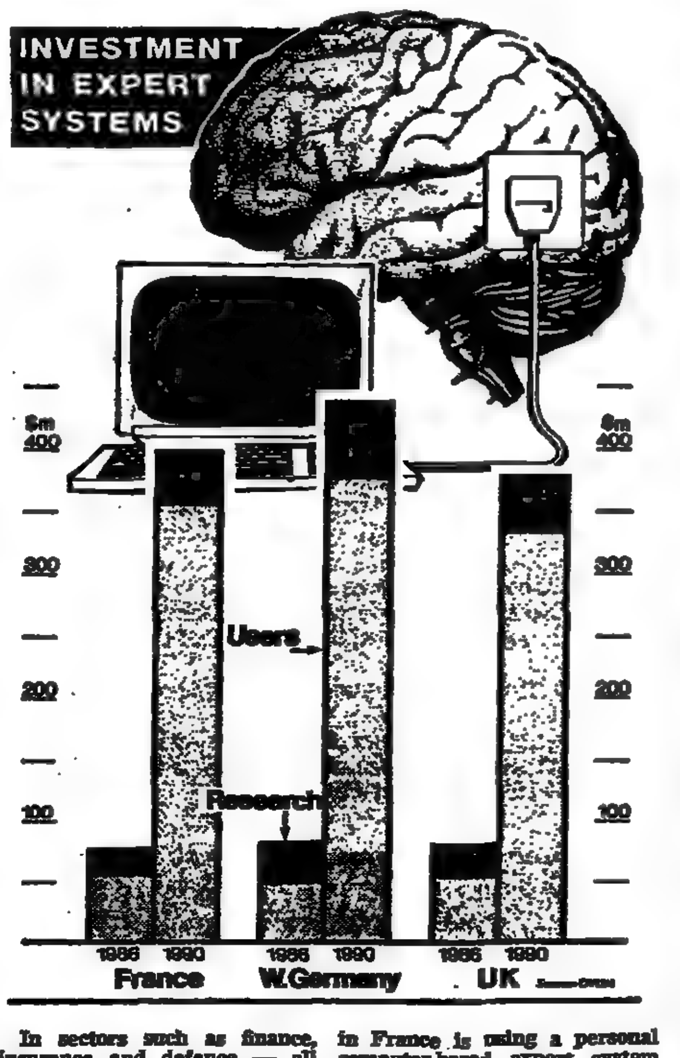
Europe's apparent inability to compete with the US on equal terms in expert systems seems to be the result of America's domination of world computing, coupled with entrepreneurial attitudes which meant that venture capital was much more readily available to US start-up companies. In addition, US users of expert systems were quick to form strategic relationships with the start-ups, including sizeable investments of capital.

Nevertheless, there has been considerable development of small scale but practical expert systems in Europe using a modest level of resources.

The report warns, however: "The European view is more pragmatic, more geared towards short-term benefit."

"In the long term, the results could be serious for the Europeans. The American approach offers two major longer-term benefits which could widen further the competitive gap between American and European industry, for both users and suppliers."

It suggests that US users would be far better positioned for developing large-scale applications where the pay-off is likely to be greater and it says that the demand created by US users will increase the already commanding lead of the suppliers of large-scale expert systems development tools in the US.



In sectors such as finance, insurance and defence — all three of great importance to Europe in general, and the UK in particular—the US lead may be much greater than 18 months.

In the energy business, however, Europe may be level or even slightly ahead.

Expenditure by customers on expert systems in France, Germany and the UK was about $150m in 1986, according to the report. The total for the whole of Europe was between $200m and $250m, compatible with US expenditure of 12 months earlier.

Siemens, the West German electronics giant, is thought to be the largest user of expert systems in Europe with over 40 projects under way and up to 200 staff working in the area. Its developments include systems for optimising the use of a computer database, diagnosing faults in Siemens computers and designing the way process control computers should work together.

Among systems in use in the financial sector are:

- The Caisse d'Epargne Bank in France is using a personal computer-based expert system at 60 of its branches for processing home loan applications.
- Auditors at Coopers and Lybrand have begun to use an expert system on a portable personal computer for planning audits at their clients.

Is there hope for Europe in this critical technology? According to Gianfranco Prini of the expert systems company Delphi, European multinationals should encourage "spin-outs" (start-ups enjoying a loose relationship with a parent which provides capital, experience and assistance with marketing).

Examples of this include ICI in the UK which encouraged ISI in the development of its product "Savoir," Framatome of France which set up Framatec as a joint venture with Teknowledge of the US and Rank Xerox which encouraged Artificial Intelligence as a spin-out to market Xerox's AI product line in the UK.

*Commercial Expert Systems in Europe, Ovum, 1987. £320. Ovum is on 01-637 4661.

Modesty is the best policy

BUILDING a full-scale expert system in-house is likely to cost a minimum of £250,000, so start modestly, advises Systems Dynamics, a UK-based electronics consultancy.

"Do not invest heavily in specialised machines or expensive software tools until you have dabbled enough in expert systems to know what they can do," it urges.

"The first expert system an organisation builds should be seen as an investment to gain experience for future projects—a trial run. If it turns out to be a truly useful system, all the better."

Systems Dynamics lists the common pitfalls in expert system development, including the temptation to treat the system as if it was a conventional computer program and build it all in one go. Step-by-step development is essential, it argues. Prototypes of small parts of the system should be built to ensure the overall development is on the right course.

It warns against raising expectations within the organisation for the first project and makes it clear that deadlines should not be set for completion.

"If a system shell running on a personal computer is used," it says, "a small system of up to several hundred rules typically takes three man months."

Much of the work involved in filling out a shell consists of feeding in the information gleaned from experts in the field and devising the rules the system needs to interpret the information in an apparently meaningful way.

As a guideline, most mature expert systems have cost more than £750,000 to build—not including substantial maintenance costs."

Although the initial outlay may be high, costs savings can be attractive. Digital Equipment (DEC) a leader in expert systems development has a system called Xcon (Expert configurer) which it uses for determining the best way to put together its large minicomputer systems. Xcon is said to save DEC $18m every year.

Systems Dynamics advice is contained in a Strategic Guide to Implementing an Expert System, priced at £90 from the company on 09278 5466.

WORTH WATCHING

Edited by Geoffrey Charlish

A quick line to Shell drawings

SHELL UK Exploration and Production (Expro), the operator for the joint venture in the North Sea between Shell and Esso, is to put some 3,500 drawings currently held on microfilm on to magnetic disc using a system from Advent, a small Wokingham, UK company.

The advantage is that Expro engineers will be able to access any drawing quickly on a screen and keyboard terminal and carry out modifications using computer-aided design techniques.

Offshore production platforms are complex structures with networks of piping, communications and power circuits. Each platform is unique and its systems are recorded on "as-built" drawings. Constant reference to and modification of these drawings is needed over the years as the platforms are modified and maintained. At the moment, the process is manual, with modification of prints taken from the film and the subsequent production of new prints from new film.

The Advent system uses a US-made scanner to make the transfer from drawing to disc. A single-line head of 10,000 optical fibre ends moves across an illuminated A1 (33 x 24 inches) drawing in under 10 minutes. The light output from each fibre is turned into an electrical signal, digitised and held on the disc.

Apart from quick access and ease of modification, the system is also able to enhance a drawing's image.

The £250,000 system, when complete, will be capable of storing 20,000 drawings and will be able to print 300 in 24 hours. Shell Expro believes that on average productivity will improve fourfold, compared with the present manual mehods.

Japanese stuck on rust-free alloy

NIPPON KOKAN (NKK) in Japan has developed a bonding process for joining carbide or nitride ceramics to Nimonic 80, a nickle-based alloy.

Silicon nitride and carbide offer far more resistance to corrosion than Nimonic 80, which is at present used by itself to make exhaust valves for marine diesel engines for example. By applying the ceramics to the parts most prone to corrosion (the sealing face in particular), NKK expects to produce valves that will function without maintenance for two years.

Nimonic 80 is itself a highly heat resistant material and the new combination is expected to find application in the manufacture of other high-temperature parts and equipment, in addition to its use in exhaust valves.

Show made of screen benefits

A VIDEOTAPE entitled Personal Computers in Manufacturing has been made by the Society of Manufacturing Engineers (SME) in the US.

Running for 28 minutes, the tape looks at trends in technology, personal computers at work and the anticipated advances in the computers and their peripherals. There are also interviews with industry experts and footage shot in manufacturing plants.

The tape is part of the SME series, "Manufacturing Insights," each featuring a specific manufacturing technology.

Brass rods: The race to conform

BNF METALS Technology in Wantage, UK, is to launch a research project to investigate the production of small-diameter brass rod by the Conform process, which has previously been used mainly for copper and aluminium.

The process is continuous and the machine that performs it is cheaper than current production machinery for brass rod, which is at present made on a batch basis. It involves passing "raw" rod through a grooved wheel and shoe arrangement which produces frictional heat and makes the rod "conform" to the groove/shoe before passing through a die.

BNF expects this alternative manufacturing route to achieve overall cost savings of 25 per cent when problems of new materials and their applications are solved.

Elementary idea from Finland

FINNISH COMPANY Outokumpu has introduced a table-top X-ray analyser that can be used in both laboratory and shop floor environments.

Known as X-Met 820, the instrument can determine the presence and quantity of six different elements at the same time, covering everything from aluminium to uranium. The analysis can be made on liquid, powder or solid samples. (In such analysers, the sample is bombarded with X-rays and the secondary emissions produced are characteristic of the elements present.)

The results of the analysis are seen on a printer, although the data can be sent to a computer for further processing.

Cornering the cabinet market

ONE OF the more time consuming tasks in making steel cabinets for industrial products, welding the top corners of the unit, can be carried out automatically using a new welding rig design from Precision Systems of St Ives, Cambridge, UK.

The design has been carried out in conjunction with an office equipment maker, but PS is in a position to produce similar units for any other interested companies.

The unit is for single operator use and has two work stations, one of which can be loaded while welding is taking place on the other. The quality of the weld produced makes subsequent grinding and polishing unnecessary. Therefore, after degreasing, the welded units can go direct to the paint shop.

CONTACTS: Advent Systems, UK, 0734 784211. SFE: US, (313) 271 1500. NKK: Japan, 3 212 7111 BNF Metals Technology Centre: Wantage, UK, 02357 2992. Precision Systems: St Ives, Cambridge, UK, 0480 67101. Outokumpu: UK representative is Alred Instruments, Newbury, 0635 30345.

FT COMMERCIAL LAW REPORTS

Lancia opposition to Lancer trade mark fails

MITSUBISHI v FIAT
Court of Appeal (Lord Justice Fox, Lord Justice Parker and Lord Justice Glidewell): December 19 1986.

REGISTRATION of a word as a trade mark will not be refused on the ground that it is likely to cause confusion with a previously registered word unless, having regard to the circumstances including the kind of market in which the relevant goods are sold, there is a real and not merely a fanciful risk of confusion among a substantial number of people.

The Court of Appeal so held when dismissing an appeal by Fiat SpA, Fiat Auto SpA and Fiat Auto UK Ltd, from Mr Justice Falconer's judgment upholding the assistant registrar's decision to dismiss their opposition to registration of a trade mark by Mitsubishi.

Section 11 of the Trade Marks Act 1938 provides: "It shall not be lawful to register as a trade mark . . . any matter . . . likely to deceive or cause confusion. . ."

Section 12: "(1) subject to . . . subsection (2) . . . no trade mark shall be registered . . . that so nearly resembles [a registered] trade mark as to be likely to deceive or cause confusion."

LORD JUSTICE FOX said that Mitsubishi applied to register the word "Lancer" as a trade mark in the class for "passenger carrying motor cars."

Registration was opposed by part of the Fiat group, which had acquired the Italian sports car manufacturer Lancia SpA. Opposition was principally concerned with protection of the mark "Lancia."

The assistant register dismissed the opposition and Mr Justice Falconer upheld his decision.

The Lancia mark had been in use in England on specialist motor vehicles since the early part of the century with some interruptions during the war years. It had a substantial reputation. In general it could be said that Lancia cars were widely established in the car market.

Lancia had two registered trade marks—the word "Lancia" in a device which was largely a wheel; and the words "Lancia Beta Monte Carlo."

Mitsubishi used the name "Colt" as the maker's name for its cars. There was a Colt model called "Lancer." It was common to speak of a "Colt Lancer" or to use "Lancer" in a context where it was obvious that it was a model of a Mitsubishi or Colt car.

Mitsubishi registered the mark "Colt Lancer" without any objection. Lancia's concern was that the application in suit envisaged the use of "Lancer" without any reference to Mitsubishi or Colt.

The matter turned on section 11 and 12 of the The Trade Marks Act 1938.

The assistant registrar stated the appropriate test under section 11 as whether the tribunal as satisfied "that the mark . . . if used in a normal and fair manner . . . will not be likely to cause deception and confusion among a substantial number of persons . . ."

He formulated the test under section 12 as whether the tribunal was satisfied "there will be no reasonable likelihood of deception or confusion among a substantial number of persons . . ."

The judge accepted the correctness of those tests and they were not in dispute.

The principles governing assessment of the risk of confusion were to be found in *Pianotist [1906] 23 RPC 774, 777* where Mr Justice Parker said: "You must take the two words. You must judge them both by their look and . . . sound. You must consider the goods to which they are to be applied . . . the nature and kind of customer . . . all the surrounding circumstances . . . what is likely to happen if each of those marks is used in the normal way. . ."

The assistant registrar and the judge concluded that there was no real tangible risk of confusion if the Lancer mark was registered. The issue was whether that was right.

Visually the two marks were easily distinguishable. There was no practical risk of confusion. Phonetically, there was a possibility of confusion depending on the circumstances of their use.

The material circumstances were (1) Lancia was a word of three syllables, whereas Lancer had two. If the three in Lancia were pronounced, there was a strong differentiation phonetically.

(2) Lancer was an English word, familiar in ordinary English usage. Lancia had no meaning in English. Its connotation was Italian. A word with a known English meaning was unlikely to be confused with a word of foreign connotation having no meaning in ordinary English usage.

(3) The question of confusion could not be adequately considered for trade mark purposes save in relation to the market. The case was concerned with the market in cars. A car was an expensive piece of equipment. Its purchase would usually have to be considered with some care and would be assisted in a competitive market by an abundance of brochure literature. When considering risks of confusion therefore, the purchase of a car was not to be equated with an everyday purchase over a shop counter. Nor was it likely to be purchased over the telephone. The practical risks of confusion seemed very slight indeed.

(4) Lancia asserted that the phonetic similarity of the two words would be a source of confusion by mishearing. The example was given of a cocktail party conversation denigrating the Lancer which was misheard or confused with Lancia.

The risk of such mishearing seemed unlikely to survive the mechanism of purchase, having regard to the nature of the goods. There must be a real, not a fanciful, risk and it must be a risk of confusion among a substantial number of persons.

Having regard to the three-syllable composition of Lancia and the nature of the market, the cocktail party example of mishearing was no more than fanciful and was not likely to extend to a substantial number of persons.

(5) There was no evidence of confusion in practice.

Looking at the whole matter, there was no real tangible risk of confusion between the Lancia and Lancer marks.

The assistant registrar and the judge reached the correct conclusion on what was essentially a question of fact regarding the risk of confusion. The appeal should be dismissed.

Lord Justice Parker and Lord Justice Glidewell agreed.

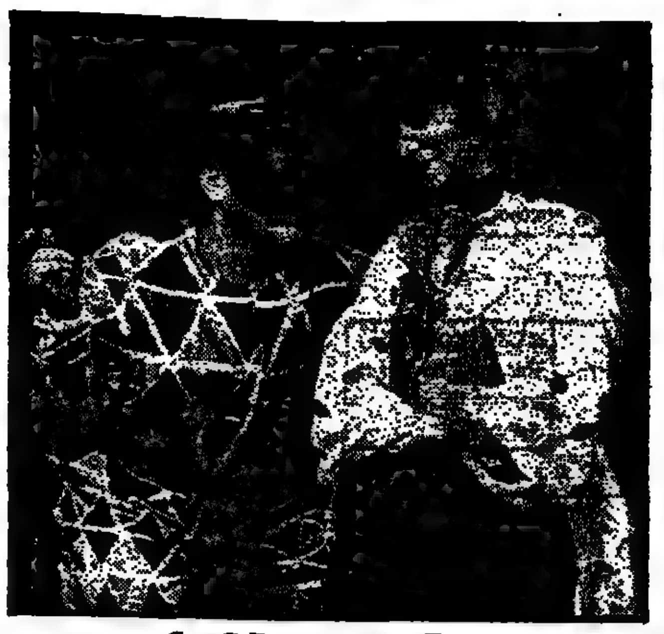
By Rachel Davies
Barrister

International Appointments

THE ARTS

The Triumph of Love/Gate

Martin Hoyle



Guy Callan and Lilian Evans

Despite Voltaire's notorious judgment that Marivaux "weighed butterfly eggs in scales of cobweb" (but Voltaire's view of *Hamlet* as the product of the drunken savege rules him out of court as a critic, anyway), the playwright's works increasingly reveal a sombre side, much in keeping with modern scepticism. I remember a Marivaux production in Strasbourg two years ago where the emotional cat's cradle was woven in falling darkness, a grim saraband for a society's death-throes no less than the RCS's current *Liaisons Dangereuses*.

The tiny Gate Theatre Club, above a pub in Notting Hill, is presenting the first professional British production of what at first glance transports us back to the pastoral realms of mythic artifice. Princess Léonide's family usurped the throne. Like Rosalind she dons man's gear and makes for the woods. Here she finds the long-lost rightful heir, reared by a philosopher and his sister, to whom she hopes to make amends. (She has conveniently fallen in love with him as well.)

Like Viola, she ensnares both sexes. Love has a cathartic effect on the philsopher who admits that conceit and love of reputation have prompted his disdain of worldliness, and now confesses to self-contempt—a scene whose supreme irony stems from truth revealed by falsity in circumstances of deception.

Guy Callan's direction might allow more dignity to the hoaxed middle-aged siblings. Certainly they are meant to have learnt the sharp lesson of love, but here the Princess's final admonitory tone is scornful, adding a harshness not too far from cruelty to these admittedly sometimes uncomfortable amorsu stratagems.

Léonide herself is a not uncommon Marivaux woman: the girl in love whose schemes get out of hand and reveal unexpected truths in her and her victims. Harriet Keevil's attack underlines the ruthlessness (though she could point her lines more sharply), while Lilian Evans's sprightly maid and Malcolm James as the lost prince provide the strongest support. Besides directing, Mr Callan has translated and plays an Arlequin of almost clinical fidgetiness: his capering, posturing, mopping and mowing are in unhappy stylistic contrast to another below-stair character, the gardener, whose portrayal as African slave betrays an unease with dialogue that verges on the unintelligible.

Two share 'Drama' magazine's award for Best Actor

The quarterly magazine, Drama, on Monday announced its annual theatre awards at the headquarters of the British Theatre Association. In place of a snowbound Donald Sinden, Derek Jacobi presented the awards that Hugh Quarshie—sharing the title of Best Actor for *The Great White Hope* with Bill Fraser (for *When We Are Married*)—declared he had always assumed went to the "rich, white and stupid." Tim Rice struck a more gracious note by cheerfully describing himself as rich, white and stupid as he and Robert Fox producer, accepted the Best Musical accolade for *Chess*.

The award for Best Actress was presented to Joan Plowright for her performance in *The House of Bernarda Alba*, a production whose designer, Ezio Frgerio, shared honours with Maria Bjornson of *The Phantom of the Opera*. Alison Steadman was named Best Supporting Actress for her performance in Alan Bennett's *Kafka's Dick*, while Best Supporting Actor was Tom Wilkinson for his Pastor Manders in *Ghosts*.

Mike Alfreds won the Best Director title for his production of *The Cherry Orchard* at the National Theatre. The young writer Jim Cartwright carried off the award for Best New Play with his first piece, *Road*, about to be revived at the Royal Court; and, well in the tradition of distinguished writing, the Bush Theatre, of Shepherd's Bush in west London, received a Drama Magazine Special Award for its continuing high standard in the production of new plays.

London did not monopolise the glory. The Young People's Theatre Award was shared between the Theatre Centre, London, and the Leeds Theatre in Education team; Yorkshire also claimed distinction in Young People's Theatre Design, the awards going to Bradford's Freehand Puppet Theatre; and the Amsteur Theatre Award was presented to Parc and Dare Theatre Company, Rhondda, Wales.

'British Art in the 20th Century'

British Art in the Twentieth Century: The Modern Movement will open at the Royal Academy of Arts, Burlington House tomorrow. Second in a series of 20th century exhibitions which began with German art, it will include 300 works by 70 artists dating from 1910 to the early 1970s.

Television/Christopher Dunkley

Miss Marple's clue to success

The new season is now properly under way and the schedules are packed with an impressive — some may feel bewildering—number of new series. As usual, of course, the word "new" is slapped on to some programmes which look decidedly familiar. *Horizon*, now coming up for its 23rd year, was billed as a "New Series" last Monday, meaning, presumably, that the programmes this season are not repeats. Anyway, the opening episode, devoted to circadian rhythms, powerfully sustained *Horizon's* admirable standards.

BBC1's *Miss Marple* (Sundays) is a much more recent creation, even though Joan Hickson is so exactly right in the title role that it feels as though she has been playing it all our lives. The new two-part drama, "Sleeping Murder" reeked luxuriously of co-production money: all that expensive location film work and whole teams of extras in authentic fifties costumes. This is yet another of those beautifully produced television dramas with no sex, no swearing and no violence which the Grundyists would have us believe do not exist.

The "new" *Carrott Confidential* on BBC1 (Saturdays) is another known quantity, and although the spiky anti-establishment pose and the tone of working class solidarity are beginning to feel a teeny bit suspect in view of the fees which Mr Carrott clearly commands, having joined the system. But his is still a welcome voice, offering some counterpoint to the predictable chorus provided by such comedians as Monkhouse, Everett and Hill.

Mel Smith and Griff Rhys Jones have moved from BBC to ITV, but they, too, are pretty familiar to us now. I had hoped that somebody would start making entire programmes based on the brilliant idea of the lager commercials where Jones is inserted into old black and white movies, but no doubt it is prohibitively expensive. Instead, for *The World According to Smith And Jones* (Sundays), London Weekend have adapted the idea, which they use with Clive James, of adding cod commentaries to old film clips: very much cheaper in time and effort, and still quite funny. Sometimes.

Filthy Rich And Catflap (Wednesdays) is clearly supposed to be a way of developing the careers of Adrian Edmonson, Rik Mayall and Nigel Planer without obliging them to continue as *The Young Ones*. But it is already clear that what they seem to see as defiantly juvenile, and we see as embarrassingly childish, is not the outcome of a particular series but part and parcel of these particular comedians. Farting, references to genitalia, and extreme violence are their stock in trade and so—regardless of the format—their most appreciative audience will continue to be drunk teenagers.

There are, however, heaps of series which really are new. For instance, the first 10 days of the year saw the start of three new sitcoms, though again (it is becoming worryingly prevalent) the best by miles is an American import on Channel 4. *E.R.*, meaning the "emergency room" of a hospital, is scarcely breaking new ground with its mixture of farce and high drama: *Hill Street Blues*, *St Elsewhere*, *M.A.S.H.* and others have exploited the same formula.

However, E.R. (Fridays) is vastly superior to both *My Husband And I* (Fridays),

Nigel Planer in "Filthy Rich and Catflap"

which is a vehicle for Mollie Sugden, here playing the personnel officer of an advertising firm, and *High And Dry* (Wednesdays), a series about Bernard Cribbins buying a seaside pier which, even in Episode 1, was looking over-stretched. Troughs must be expected as well as peaks, but it is now so long since the good ship British sitcom was on a peak that it is beginning to look as though it has gone aground.

However, there is some highly proficient drama on offer. BBC1 is presenting *Rockliffe's Babies* (Fridays), the latest in a long and usually impressive sequence of productions about crime squads. Future generations may well find these series interesting, not for anything they have to say about crime, which scarcely seems to interest the writers, but for the evidence they provide of changing social attitudes.

The differences between *Z Cars*, which the BBC launched 25 years ago this month, and *Rockliffe's Babies* are remarkable, even though *Z Cars* was often said to be ahead of its time. Not only does Rockliffe's little group of detectives look, and sometimes behave, more like the crooks than the cops in *Z Cars*, but its members are young, inept, 27 per cent female and 14 per cent black. I suspect this is nearer to wishful thinking than any true reflection of reality, but I hope to devote a whole column soon to the ways in which television so often distorts reality.

Another new crime series is being offered by ITV, this one set in the even older tradition of the idiosyncratic single detective. Joining the ranks which stretch from Sherlock Holmes to Adam Dalgliesh, via such memorable sleuths as Columbo and Frank Marker, is *Inspector Morse* (Tuesdays). He drinks real ale, drives an old Jag, sings in a choir, and—a truly original touch—dreams up solutions which are highly involved and wrong. The opening episode seemed a bit too long and contrived, even by the extreme standards of this sort of fiction, but with John Thaw in the lead, Oxford settings, and —once again—high production values, judgment must be reserved.

ITV is also screening *Yesterday's Dreams* (Fridays), the latest of the divorce dramas which are now coming at us thick and fast. Teenage son is fanatically loyal to mother's new man and wants to follow him into motor mechanics, Dad is a high-powered over-achiever in an aircraft engine company and Mum is Judy Loe, who must be taking something because, while everybody else grows old, she simply grows more beautiful. Writer Peter Gibbs has already introduced some interesting secondary characters —Dad's hard-nosed boss, and his indispensible secretary—and altogether the series promises to be one of those good, middle-of-the-road dramas which British television does so well. Incidentally, there is almost as little swearing, sex or violence in this as in *Miss Marple*.

Of the series which fall less readily into categories, BBC2's *Seventy Summers* (Sundays), is proving to be the little jewel I suspected: a cross between "Lark Rise To Candleford" and *Out of Town* in which personal witness is providing a fascinatingly detailed story about one little pocket of land near Chesham. This week we heard about gleaning, dumplings with bacon at one end and jam at the other, and from a woman who said quite unselfconsciously "We were 12 of us in the family. Ten of us lived . . ."

Most of the un-categorisable material, however, is on Channel 4. "Max Headroom" has never lived up to the promise of the original drama, and although in the new *Max Headrom Show* (Tuesdays) the computer-graphic character is being used to do more than top and tail pop videos, the idea still seems sadly wasted. *Map of Dreams* (Saturdays) is a mildly interesting attempt to get away from conventional television narrative by using newsreel clips, superimposition, time-lapse photography and so on, without dialogue, to create a sort of video-impressionism. A little of it goes quite a long way.

And *The Last Resort With Jonathan Ross* is a late night chat and music show, which features as presenter a young man who may one day do the job outstandingly well. At present, he is falling into the awful habit of asking a question and then promptly interrupting the answer with a gag of his own. Nerves may be the reason, but his producer should cure him quickly before we all switch off in irritation.

The opening episode of *State Of The Art* (Sundays) was also irritating in some ways, but despite that the series promises to be significant enough to deserve a column to itself. It is not often that television even attempts to come to terms with contemporary art—*The Shock Of The New* was the last occasion and that was seven years ago—so there is much to be said.

The new year has not brought us another *Singing Detective*, but we can hardly expect that kind of thing more than once in a blue moon. Only a fortnight into 1987 we have already been offered the sort of variety which, 20 years ago, would have been stretched across six months.

Joan Hickson as Miss Marple and Jack Watson as Foster in "Sleeping Murder"

Katia Ricciarelli and Placido Domingo in the Royal Opera's production of "Otello," which opened at Covent Garden last night. Max Loppert will review it in tomorrow's paper

Francesco d'Avalos/Barbican

Max Loppert

Monday night's Philharmonia concert at the Barbican Hall was a rather curious event: the London conducting debut of a Neapolitan aristocrat aged nearly 57 and musically quite unknown in this country. Francesco d'Avalos, who is also a composer (and teacher of composition at the San Pietro a Majello Conservatory in Naples), has studied with, among others, Franco Ferrara and Celibidache; and he made it clear that he is no dilettante in knowing how to control an orchestra.

The opening work, the *Zauberflöte Overture*, provides an immediate test — will those great E flat chords be sounded together? — which the orchestra and its unfamiliar conductor passed with ease. All three works on the programme were led without benefit of a score; when the last of those works is Bruckner's Seventh Symphony, a conductor's self-confidence has to be reasonably strong.

Evidently, on this occasion, it was justified. The Bruckner received, indeed, a strong and confident reading. Probably nobody told the conductor beforehand that this is London's most unwelcoming auditorium for full-orchestral fortissimos heavy with brass, otherwise he would surely have prevented the closing moments of first and last movements from crossing the listener's pain threshold. For the rest, though, the forward-moving directness of the interpretation and cleanness of orchestra sound were impressive (there were only a few passing hints, for instance in high *tremolandò* string descants, that more rehearsal time might not have been unwelcome).

Clearly D'Avalos will have no truck with misty-eyed Austrian romanticism, with winding Brucknerian sweetness long drawn out. There was no affectionate tapering-off of phrases, no euphonious eliding of one paragraph into the next: the manner was plain, forthright, even somewhat rough. The rhythmic momentum of the Scherzo lacked dramatic definition. The whole work exists on a plane of spiritual elevation of which this performance gave only sporadic indication. But, in a way, its honesty and frankness were refreshing—and they were plainly intentional, the result of a considered view of the music, not the product of chance.

Parikian/Milne/Fleming trio

Andrew Clements

Hamish Milne is a very different kind of pianist from Bernard Roberts, his predecessor in the piano trio with Manoug Parikian and Amaryllis Fleming. Whether his deep interest in the high Romantic repertory will alter the slant of the trio's programming only time will tell, but it may be significant that the main work in Monday's BBC Lunchtime Concert from St John's, Smith Square, broadcast on Radio 3, was Schumann's D minor piano Trio, one of the greatest of Romantic piano trios.

By the time Parikian, Milne and Fleming reached it, they were at last beginning to settle into the programme, after a rather uncomfortable account of Mozart's G major Trio, K564. The first movement had stumbled along; the slow movement and finale moved with only slightly easier grace, and never suggested the kind of rapport one would have expected from such a distinguished trio of instrumentalists.

After such a beginning, it was not surprising to hear the Schumann launched with few risks; safe, controlled playing seemed to be prescribed. Even the extraordinary episode in the development section of the third movement, when the strings play on their bridges, the piano part is marked *una corda* and the music plunges into a totally unexpected sound world, was treated in a matter-of-fact way without any special sense of mystery.

Holt's Tauromaquia/Wigmore Hall

Dominic Gill

Simon Holt is the young (b. 1958) composer whose *Kites* for 10 players so impressed me at a London Sinfonietta concert three years ago. His new *Tauromaquia* for solo piano was given its first performance on Monday by Ian Brown, who also commissioned the work.

The title—"the art of bullfighting"—is taken from the series of etchings of the same name by Goya: but Holt's sound-world is anything but Goyaesque —a closer visual parallel would be rather some manner of tentative hybrid between Klee and Matisse. But other more obvious parallels present themselves first: some of the choral figurations have an unmistakably Messiaenish birdsong ring, while others have a more delicate and reflective Debussy-like liquidity; the spirit of Messiaen, too, pervades many of the rhythmic cells and sequences. The piece lasts just 11 minutes: and I should guess that in a wilder and more pungent performance than Mr Brown's it would seem to cover greater emotional ground. The effect here was interesting, not unrewarding, but a little tame.

Ian Brown is most widely known through his chamber associations—he is the pianist of the Nash Ensemble and the Villiers Piano Quartet. It is no slight on his ensemble talent to say that he is somewhat less commanding as a soloist. I did not stay for the Hammerklavier sonata in his second half; but the pair of Brahms Rhapsodies (op. 79) and the trio of Debussy *Images* with which he preceded Holt's *Tauromaquia* were robust, capable, and unremarkable.

Cinderella of the Arts

Literature is the Cinderella of the arts in England, according to a report published today by the National Campaign for the Arts. New writing will suffer unless the Arts Council grant of £462,500 to literature — compared to £26.2m for drama — is substantially increased, warns the report.

Simon Crine, director of the campaign and author of the study, stated that the grant to literature has been cut by 43.6 per cent in real terms over the last two years. "The money was spent on books which were marginal to the mainstream of publishing but often central to the development of literature," he said.

He urged the Arts Council to "beef up" its literature panel, set up new writers-in-residence schemes, establish bursaries, offer joint ventures and loans to innovative publishers, and appoint a literature director.

In an apparent coincidence, the Arts Council issued its own statement, announcing plans to appoint a literature director next month. The announcement came as the council welcomed the draft policy of its literature panel. The secretary-general of the Arts Council, Mr Luke Rittner applauded the draft "for its commitment to re-establish a vigorous programme for literature." Proposals include the promotion of children's literature, a touring network for writers and encouragement for the development of a National Literature Centre at the South Bank.

Annalena McAfee

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

January 9–15

Theatre

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

WASHINGTON

Les Miserables (Opera House): The American tour that will end up on Broadway early in the new year begins in Washington as a celebration of the British musical's leap beyond its American forebears. Ends Feb 14. (254 3770).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

FINANCIAL TIMES
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Wednesday January 14 1987

Dr Kohl faces the voters

GERMAN cartoonists like to spoof their country as a sleepy simpleton, *deutscher Michel* by name, sporting a nightcap and constantly taken aback by events, especially those abroad.

One may argue about that stereotype, but it does say something about the Federal Republic and its government. The Chancellor, Dr Helmut Kohl, is less adventurous than almost all his predecessors and without their excuse for caution. That has not prevented his coalition running well ahead of the opposition in one opinion poll after another.

The coalition's successes in running the country and its economy are undeniable but, as so often, success has encouraged timidity and complacency. Last week's run into the D-Mark and the subsequent half-hearted revaluation exemplify the danger.

It is doubtful whether the Social Democratic Party, the biggest opposition group, will be able to exploit these dangers on polling day, January 25. Like the British Labour Party it has done its electoral chances no service by being unable to reconcile the wish to appeal to middle-of-the-road voters with the wish to attract the anti-nuclear and environmentalist, Green left. According to the opinion polls—which admittedly have had a bad spell in forecasting recent regional elections—the Social Democrats may be in for their worst showing since the 1950s.

Dr Kohl's Christian Democrats and their Bavarian sister party, Herr Franz-Josef Strauss's Christian Social Union, are also tempted by siren doubts. The progress of some right wing splinter groups in recent regional elections has convinced Herr Strauss, and apparently also Dr Kohl, that a bit of right wing rhetoric is useful.

Growing economy

On the positive side for the coalition, the cost of living declined last year and only a slight increase is expected in 1987. The economy is growing, though hardly at a canter. The current external balance is healthy—too robustly so for the health of others. Unemployment blots this picture. But since the effects are softened by a generous welfare system and a thriving black economy, the issue has not aroused as much electoral passion as might have been expected.

The coalition has continued the *Ostpolitik* of its predecessors, remaining on correct if not exactly cordial terms with Eastern Europe in spite of some almost inexcusable verbal *gaffes* by the Chancellor which have ruffled relations with Moscow.

Bonn has ridden the storm caused by the deployment of American cruise and Pershing missiles, removing one of the most serious potential obstacles to American-European co-operation within the alliance. Bonn has also swallowed its objections to at least initiating a reform of the European Common Agricultural Policy and to opening up the German market to non-life insurers from elsewhere within the Community.

But every coin has its reverse. West Germany is, after all, the biggest economic power in Europe, with the capacity to lead. Yet Bonn remains unduly hesitant about reforming EEC farm policy and unnecessarily suspicious of attempts to remove obstacles to intra-Community trade, especially in services.

Two uncertainties

Bonn's insistence on tight monetary and fiscal policy has made it harder to avert a trans-atlantic trade war and has contributed to the recent currency turbulence.

According to the polls, there are two main uncertainties about the election outcome on January 25. One concerns the performance of the Greens, who have recently been registering electoral support of over 10 per cent. It is just possible that they will be strong enough to form a coalition with the Social Democrats, though both have denied any such invitation.

The other concerns the balance within the present coalition. The Free Democrats, the junior partner, could fall below 5 per cent of the vote and therefore drop out of parliament altogether. Even if they do not, the Kohl and Strauss parties could just scrape over 50 per cent between them and be capable of governing alone. That would be a departure in German politics and would be viewed with some apprehension both at home and abroad.

The best result would be for the existing coalition to continue, but with somewhat bolder policies. The West German political leadership has been sleep-walking too long.

The limits of merger control

THE IMMINENT decision on whether to refer the BTR bid for Pilkington to the Monopolies Commission comes at a time when the British Government's overall review of competition policy is nearing completion. It would be a pity if the tentative progress towards greater consistency in merger references was set back by a decision to refer the BTR bid. It is a conglomerate merger, comparable to — though much larger than—the BTR bid for Serck, the engineering company, which was sent to the Monopolies Commission in 1982 and found not to be against the public interest. Following that decision, large conglomerate mergers have generally avoided a reference. The shift of policy was confirmed in 1984 by Mr Norman Tebbit, then Trade and Industry Secretary, who said that references would normally take place only where the proposed merger threatened to reduce competition. There is no good reason to depart from this approach in the BTR/Pilkington case, which does not raise competition issues.

Hazardous business

The weakness of British mergers policy is that the public interest criteria under which a merger may be regarded as against the public interest are drawn far too widely. Virtually any merger above a certain size may be sent to the Monopolies Commission for reasons which the Government does not even have to explain, but which may simply reflect strong political pressures at the time.

Since Mr Tebbit's pronouncement the record on references has been less erratic than in the past, but some questionable decisions have still been made. In any case Mr Tebbit's statement of policy had no statutory force. There is nothing to stop the present or a future government from referring mergers to the Commission on grounds that have nothing to do with competition. A Labour government would certainly do so; Labour Party spokesman have also said that they would change the burden of proof, so that the Commission would have to be persuaded that a proposed merger was positively in the public interest, instead of simply not against it.

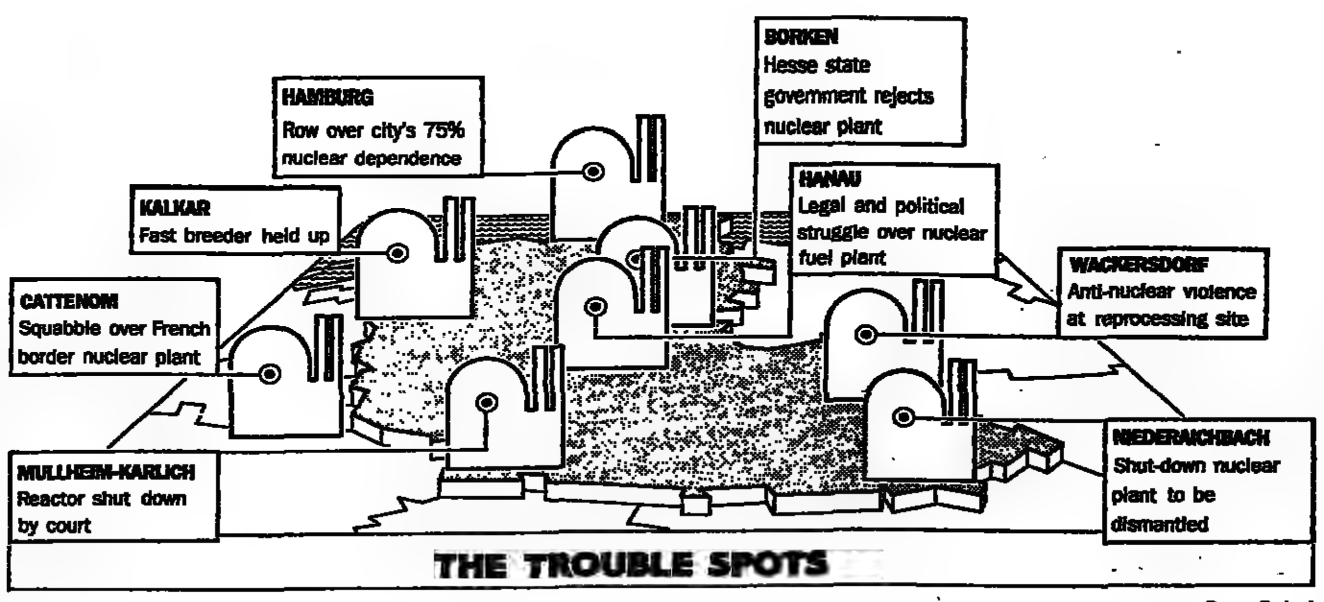
A review of mergers policy has to ask whether it is desirable for government to retain the present wide-ranging power to intervene in the takeover process, or whether such intervention should be confined by law to cases involving competition.

For example, there is concern over the process whereby ownership of important companies in, say, Scotland or the north of England is transferred, through takeover, to companies with their headquarters in London. The importance of Pilkington to the North West, coupled with its commitment to research and development is being used as an argument for referring the BTR bid to the Commission. But it is far from obvious that the Government is right to use mergers policy to preserve local control. Deciding whether a change of ownership is good or bad for a region is a hazardous business. A government which believes in the market economy, needs to be wary about over-riding the wishes of shareholders and about using merger control as an instrument to protect from take-over particular companies in particular localities.

Governments are not noted for their willingness to give up powers to intervene, especially when political pressures are pushing them in the opposite direction. But it is difficult to see how mergers policy can be given its proper role of promoting competition without a substantial revision of Section 84 of the Fair Trading Act. This sets out the range of considerations (including "all matters which appear to them to be relevant") which the Monopolies Commission must take into account in deciding whether a merger may operate against the public interest.

One conclusion from review may be that mergers policy is only a small element in the armoury of weapons available to promote competition and that the Government should not put excessive weight on it. While the authorities should be on their guard against mergers which might seriously damage competition, other policies — free trade, deregulation to encourage new entrants, the breaking-up of state monopolies—are likely to have a bigger impact on the competitive climate than detailed intervention in the takeover process.

NUCLEAR POWER IN WEST GERMANY



Brane Radovic

"If we were to move out of nuclear energy immediately, it would mean the collapse of the German economy."—Mr Helmut Kohl, the West German Chancellor.

"Every source of energy has risks. But nuclear risks transcend the scale of humanity. This cannot be justified."—Mr Volcker Hauff, formerly Technology Minister under Chancellor Helmut Schmidt, now chairman of the Opposition Social Democratic Party (SPD) commission formulating plans to abandon atomic power.

"We Germans have a tendency to be emotionally excitable."—Mr Klaus Barthelt, chairman of Kraftwerk Union (KWU), West Germany's main nuclear reactor company.

"The question is not if another accident will happen, but when. Everything else is just child's belief."—Mr Oskar Lafontaine, SPD Prime Minister of the German coal-mining state of Saarland, and a leading contender to take over as the party's next chairman.

The consensus lies in tatters

By David Marsh in Bonn

THE CLOUD left by the Chernobyl reactor accident still hovers, months after the Soviet accident, as an agonised debate in West Germany over a possible *Ausstieg* (exit) from nuclear power comes to a provisional climax in this month's general elections.

Mr Kohl's generally pro-nuclear centre-Right coalition is likely to remain in government after the January 25 poll. But for both political and economic reasons, the country's consensus in favour of expanding atomic power, which has guided its nuclear drive over the past 30 years, now lies in tatters.

Both the dilemma and the timing are ironic. Partly following the line of the radical and increasingly popular Greens ecology party, which wants to switch off nuclear plants immediately, the SPD is campaigning on a platform of phasing out over the next decade the nuclear power stations it was instrumental in building when in power during the 1970s.

The SPD, labouring under a general confusion of objectives and ineffectual leadership, is heading, according to the opinion polls, for a crushing defeat.

Yet at the same time the signs are multiplying that a long slow German march away from atomic energy — in the land whose scientists first discovered nuclear fission nearly 50 years ago — already may be under way.

The result looks likely to be, in coming years, higher than planned reliance on coal for electricity generation — this from heavily-subsidised German mines and also, probably increasingly, from imports — above all, from South Africa.

This would bring its own economic and environmental costs. The West German coal industry currently produces at roughly double the world market price (partly because of the latest appreciation of the D-Mark). Relying on long-term contracts with German power stations for about half its sales, it has absorbed nearly DM 20bn (£7bn) in production subsidies during the last four years.

German operators of coal-fired power stations are also already passing on to customers another bill of about DM 28bn in a decade-long programme to install equipment to lower sulphur and nitrogen oxide emissions in compliance with the country's tough new clean air rules.

But under a post-Chernobyl energy policy compromise now shaping up in West Germany, higher electricity costs for industry and households will be the price to pay for calming environmentally-sensitive public opinion.

West German companies in energy-intensive sectors like chemicals and metallurgy already complain bitterly at domestic electricity costs which are 30 to 40 per cent higher than in heavily nuclear-oriented France.

The big chemical companies have already talked to Electricité de France, the French state utility, about buying directly cheap surplus French nuclear-generated electricity—although the way is barred for

There is no doubting the importance of the issues involved in the Ausstieg controversy — nor that feelings are running high. During the eight months since Chernobyl, West Germans have manifested their nuclear distrust in ways ranging from protesting over becquerel levels in sandpits to fighting pitched battles with riot police at nuclear sites.

At stake is the future of the country's 21 completed nuclear power stations and four plants under construction (including the fast breeder prototype at Kalkar on the Rhine, built at a

country with a bill of DM 200bn over six or seven years in the form of wasted investment and higher electricity costs.

While the chemical industry says that 150,000 jobs in energy-intensive sectors and in the nuclear field could be put at risk, Ausstieg supporters argue that a switch away from nuclear energy would actually boost employment.

The debate also will decide whether West Germany will give up its long-running bid to catch up France and Britain by developing the advanced (and costly) technology of repro-

Minister brought into the Government by Mr Kohl in June to help calm Chernobyl worries, denounces the SPD's anti-nuclear stance as "utopian and opportunistic." A majority of voters would probably agree with at least one of the adjectives.

Even though the SPD's growing doubts over nuclear energy substantially pre-date the Chernobyl accident, the party's now-officially pronounced atomic U-turn has strained its overall credibility.

It has not been forgotten that the previous SPD-led govern-

Any Ausstieg limited to German territory would still leave the country exposed to the consequences of a nuclear accident on its borders

the moment because of the German utilities' marketing monopoly.

By spurring industrial rationalisation and energy-saving measures, relatively high German energy prices over the past decade may have been a factor in driving up the country's unemployment. But, as underlined by the nation's DM 100bn 1986 trade surplus and by the profitability of its chemicals groups, dearer energy does not seem generally to have impeded its international competitiveness.

cost of about DM 7bn, but with its operating licence withheld by the State (Land) government authorities).

West Germany's nuclear plants generated 31 per cent of its total electricity output in 1985 and accounted for 11 per cent of primary energy consumption. Anthracite-fired plants produced 32 per cent of electricity, lignite stations 22 per cent.

The West German association of electricity utilities claims that a short-term renunciation of nuclear power would land the

cessing spent nuclear fuel.

Probably the most difficult single nuclear decision of the next legislature period will be whether to go ahead with the atomic industry's much-contested DM 10bn project to build a reprocessing plant in Wackersdorf in eastern Bavaria.

The West German electorate, meanwhile, after months of bombardment with pro- and anti-nuclear propaganda, is only too well aware that there are no easy solutions.

Mr Walter Wallmann, the Environment and Reactor Safety

ments between 1969 and 1982 actively pushed forward the West German nuclear build-up.

The SPD Government in 1974 was responsible for formulating the hopelessly over-ambitious nuclear capacity projection of 45,000 MW nuclear capacity by 1985. The actual figure turned out to be 16,000 MW—which the present SPD now says is much too high for comfort.

On the fundamental safety issue, voters have undoubtedly been influenced by the main, if somewhat fatalistic, argument adopted by the Government and nuclear industry. Any *Ausstieg* limited to German territory would still leave the country exposed to the consequences of any accident from the nuclear plants mushrooming on its borders in France or eastern Europe.

None the less, an opinion poll undertaken for the German Atomic Forum, the industry's main lobbying group, indicates that 34 per cent of the population wants to close the country's atomic plants compared with only 16 per cent in 1984. Only 6 per cent—against 19 per cent previously—are in favour of a further expansion of nuclear capacity.

And while the SPD's somewhat suspect anti-nuclear stand may have hurt its electoral chances, sympathy for the more radical position of the Greens could well push their share of the vote (in a proportional voting system) to close to the 10 per cent mark on January 25

The "club" of utilities running the nation's nuclear plants have teamed up with the Siemens reactor subsidiary KWU to mount a DM 25m pro-nuclear advertising campaign running before and after the election. This represents a bigger sum than the individual election advertising budgets of the CDU and SPD.

KWU's last nuclear order was placed in 1982. And, with the Chernobyl accident exacerbating capacity problems for the company which would have occurred anyway, the nuclear industry now faces a further period of at least five years during which no new German N-plant construction permits are likely to be awarded.

West Germany's decentralised utilities, mainly owned by both government and private shareholders, have built up substantial over-capacity (above all in fossil-fuelled power stations, but also in nuclear) amounting to 20 per cent of installed plant.

As a result of increased energy efficiency in both households and industry, no new West German nuclear capacity needs to be built this century, according to the latest energy forecasts from the Esso oil group which have been creating a stir within the German nuclear industry.

The Esso report assumes that the country's completed nuclear plants would be allowed to remain in service and that those already under construction would eventually be operated.

But the size of spare generating capacity means that electricity utilities can live with some delays in connecting nuclear plants to the grid.

Latest government figures released just before Christmas show that the cost of electricity production from some of the newer nuclear plants affected by construction delays, at 14 pfennigs per kilowatt hour, is almost the same as from power stations fired by German coal

The figures show that German nuclear plants, which face further costs in coming years as a result of post-Chernobyl safety requirements, are already within an ace of losing the competitive struggle with coal.

But, with Electricité de France offering potential German industrial users prices as low as 5 pfennigs per kW hour, the figures also provide no great joy for the German coal industry. Any short-term *Ausstieg* will lead inevitably to West German utilities importing more cheap coal and also buying more electricity from EdF—producing smiles in Pretoria and Paris, not on the Ruhr.

An article on cleaning up West Germany's coal-fired power stations will appear on tomorrow's Technology Page.

Men and Matters

New man for New Yorker

It had to happen some time. But, even so, the news that the New Yorker, one of America's most famous and idiosyncratic weekly magazines, has a new editor has come as a shock to many of its admirers. It has been something of a shock even to some of its critics who argue that the magazine has failed to move with the times.

Robert Gottlieb, aged 55, president and editor-in-chief of Alfred Knopf, part of the Newhouse family's publishing empire, has been named as the third editor in the history of the 62-year-old magazine, which used to be the playground of literary figures such as Dorothy Parker, H. L. Mencken, and James Thurber.

The first editor was the incomparable Harold Ross who had a genius for picking talented writers even if he did not always understand what they were writing about.

Gootlieb will take over next March on the retirement of William Shawn, aged 79, who has edited the magazine for the past 35 years, and is said to have read every line in every story printed.

S. I. Newhouse, chairman of Advance Publications, which bought the New Yorker for $142m just under two years ago, yesterday showered praise on the outgoing editor who, he says, "invented and maintained a standard for the New Yorker that is unparalleled in world journalism."

However, it is clear that the privately-owned Newhouse publishing empire, which includes some 20 newspapers and magazines, including Vogue, House and Garden, and Vanity Fair, is anxious to make some changes around the business.

It has already begun aggressively promoting the magazine and taking types of advertisements which the previous owners shunned. To date the success has been mixed.

Circulation, which stagnated for years, has begun to creep up and is now said to be around 560,000 a week.

On the other hand the number of advertising pages fell by 10.6 per cent last year.

Countdown

The West German government is having a hard time counting its flock. Plans for holding a national census three years ago were scuppered when the Federal Constitutional Court threw out some of the questions. An amended census is planned in five months' time, but it is also running into problems.

Equal opportunities groups up and down the country say that sending female census-takers into people's houses puts the women at risk from sexual harassment. Women's groups in Lower Saxony want escorts provided for each female census taker. But neither the Interior Ministry nor the state authorities are prepared to foot the bill.

Each census-taker is paid more than DM 300 for every 50-70 households covered, and Ministry officials say there is no more money in the kitty to pay for escorts. The state says it can not afford to pay for them, either. Bonn officials suggest that if the women want escorts, they should invite their husbands or boyfriends to accompany them on their rounds.

Crocodile Bondee

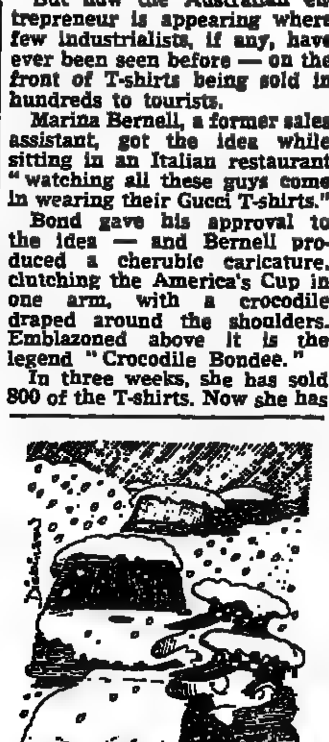
Alan Bond's presence looms very large in Perth. Out at sea sails his America's Cup yacht. Up above floats his airship. Along the coast there is his Observation City. A film and a television series have been made about him.

But now the Australian entrepreneur is appearing where few industrialists, if any, have ever been seen before — on the front of T-shirts being sold in hundreds to tourists.

Marina Bernell, a former sales assistant, got the idea while sitting in an Italian restaurant "watching all these guys come in wearing their Gucci T-shirts."

Bond gave his approval to the idea — and Bernell produced a cherubic caricature, clutching the America's Cup in one arm, with a crocodile draped around the shoulders. Emblazoned above it is the legend "Crocodile Bondee."

In three weeks, she has sold 800 of the T-shirts. Now she has plans to print the Bond features on mugs, place-mats and other souvenir items. "And if he wins the America's Cup, we plan to go international with the idea," she says.



"No wonder they're abandoned—have you seen how much petrol prices have gone up?"

Pasta press

Appetising news from the publishing world. Yet another "foodie" magazine is on the way.

Pizza and Pasta is to be the official magazine of the newly-formed Pizza and Pasta Association—PAPA for short. It will replace a previous publication which had a gourmet circulation of 11,000 in Britain alone.

In case you have any doubts, pizza and pasta make up a very serious combination in the food industry.

Britons now eat more than 17m tonnes of pizza in their own homes every year, and last year they bought more than £100m worth of pasta.

My efforts to bring you the figure of how many miles of assorted pasta that represents have failed to elicit a reliable response.

But publisher Kevin Murray has no doubts that pizza and pasta will provide a satisfying editorial diet.

Hard to bear

My recent story about bear hunting in Czechoslovakia reminded a reader of a similar tale about polar bears.

The production manager and the marketing manager of a company decided to spend a weekend hunting polar bears. As soon as their helicopter had dropped them off, the marketing manager took his binoculars and went off to scout around.

Meanwhile, the production manager pitched their tents, set up their camp beds, cleaned the guns, and was just preparing supper when the marketing manager rushed back into the camp with two large polar bears snapping at his heels.

"You take care of these two," he shouted, "and I'll go and get some more."

Observer

China after the protests

A hundred flowers wilt in Peking's winter chill

By Colina MacDougall

THE STRENGTH of Peking's hardline backlash after a month of non-violent student demonstrations calling for democracy must raise some doubt as to whether supreme leader Deng Xiaoping can continue to walk the tightrope of economic reform.

This tightrope is stretched precariously between the conflicting demands of party conservatives and the more liberal liberalisation in China, have intellectuals on whose talents the reform ultimately depends. And the conservatives, after several years of progressive liberalisation in China, have turned out to exert surprising leverage.

While reform policies, especially the "open door" to foreign trade and investment, are most unlikely to be dismantled, some indirect damage seems inevitable. *Foreigners will see party* reversion to autocratic ways as symptomatic of less than total commitment to modernisation. As the Chinese themselves have said repeatedly, some political reform is essential to allow the economic reform to work.

With the criticism and dismissal of senior officials and academics for advocating a measure of political and intellectual freedom and the barrage of Press attacks on "bourgeois liberalism," prospects for more flexibility have flown out of the window, at least for now.

Although predictions in the Chinese context are always dangerous, *the reported illness of* the Party General Secretary Hu Yaobang, a key supported of Deng, seems likely to be genuine, not political. After anxious weeks of discussion of the student protest within the top leadership, it would be no surprise if Hu, in his mid-seventies and in the grip of the Peking winter, had succumbed to a minor ailment. If he were indeed to be relegated because of his support for China's more liberal policies, the outlook for Deng and the reform would look increasingly grim.

The effects of the clampdown are likely to be subtle and will probably emerge over the next few months, not weeks. Intellectuals and industrial managers, who had begun to believe Peking when it told them repeatedly that they were free to launch new ideas or criticise wrongdoing, will be crushed back into silence.

The definitive blast against *student demonstrations* in last Tuesday's edition of The People's Daily was a watershed, signalling that the leadership, after nearly a month of kid-glove treatment, had finally decided to call a halt.

Deng himself, caught by hardliners demanding an end to the marches and aware of the risk of disorder spreading, was responsible for the clampdown. The People's Daily editorial line was hammered out at a high-level party meeting at which Deng himself reportedly said ideology must be "straightened out," the *communist Hongkong paper* Wen Wei Po reported last week.

In the clampdown, Wang Meng, Minister of Culture and himself a rehabilitated writer, has been criticised. Zhu Houzhe, head of the party's Propaganda Department, is reportedly in danger of losing his job. The information director of that department, *Zhong Peizhang, has* been replaced.

Professor Fang Lizhi, a distinguished astrophysicist, has been sacked as vice-president of the Anhui Science and Technology University for his alleged role in encouraging students in Hefei, provincial capital of Anhui, to demonstrate. The president of the college has also been dismissed.

Until just a few weeks ago, the official press was speaking forcefully for democracy. "In future, elections should be made more elaborate and more serious, the people should be allowed to campaign, to comment on the Government's work, and to discuss comprehensively its administrative programme. And more people should be allowed to vote," said the Workers' Daily in a typical article at the end of October.

Against this background, the students said little that was extreme. Their support for Deng seemed unanimous. Their criticisms of the party "not a completely perfect organisation, particularly at present with many shortcomings," as one students' demands, feared a echoed in plain language what has been repeatedly said in the *official press. There was little* violence or even disorder in the demonstrations.

Deng is vulnerable to his conservative critics in part because he allowed political discussion to develop which led to the student marches, but perhaps more because he allowed them to continue for a month.

Deng's vulnerability has encouraged the closet conservatives to emerge. Half a dozen veteran party leaders, including State Counsellor Wang Zhen and National People's Congress Standing Committee general secretary Chen Pixian have gone on record in the past month attacking the recent decline in socialist principles. The Peking Daily, virulent mouthpiece of the Peking mayor and officials, accused the demonstrators, in the dramatic terms of an old Cultural Revolution charge: "Waving the red flag to oppose the red flag."

These events follow a party meeting last September which ended in a communiqué intended as a guide for a Chinese-style socialist society. This communiqué was riddled with compromises, cobbling together ideas on material reform and socialist discipline without much consistency.

Deng Xiaoping now has several important hurdles to surmount if he is to keep his vision of a modernised China on the road. The first will be somehow to convince academics, especially scientists and economists, on whose efforts *China's future development* essentially depends, that they must continue speculative research work and discussion.

Another is the 13th party congress next autumn, when some party leaders should retire to make room for younger blood. Deng and a number of *leading conservatives* are in their eighties, while Hu and some other leaders are in their seventies. In the jockeying for power during the run-up to the congress, the current clampdown and its effects may be crucial.

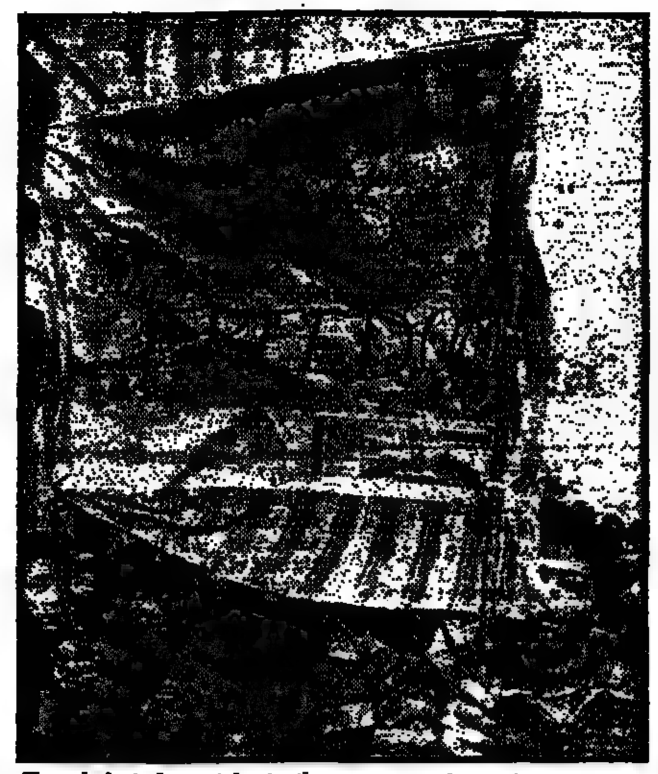
China still has to complete *elections for deputies to the* Seventh National People's Congress, due to supersede the present one in 1988. Since these are likely to be spread over most of the year, they could provide a constant source of friction, especially in university cities.

Inevitably ideology will be more prominent in the coming months. The new line is encapsulated in the "*four principles of socialism*," defined by Deng several years ago and echoed everywhere since the student disturbances. These are adherence to the Communist Party, to Marxist-Leninism and Mao thought, to the people's democratic dictatorship and to the socialist road.

These have been pushed out of the limelight in recent years by discussion or reform. While all China's leaders probably now agree on the need to stress party leadership, there may be some dispute over how far to emphasise Marxist-Leninism and the socialist road. China, as the official press now more than ever maintains, is pressing on with economic reforms. Some of these are distinctly unsocialist. A big showing in the press now for conventional Marxism would not be a good sign for the reform programme.

The economy may strike trouble, too. Over-rapid industrial growth, which in 1985 triggered a huge import deficit plus shortages and inflation, again looks like a threat. In November the industrial growth *rate jumped to around 15 per* cent compared with a far lower figure in same month the previous year, from the much more modest rates enforced in late 1985 and early 1986. This trend seems likely to continue, bringing with it a renewed demand for imports.

On top of that, Peking plans price reforms in industry. Public uneasiness at this and the recent rises in the cost of living are essentially a worse threat than students' complaints, as the leadership is well aware. But if outbreaks of political and economic *tensions hit the country simultaneously*, the results could be unpredictable.



Shanghai students take to the streets to demand democracy.

Research and development in Britain

More may not always mean better results

By David Sawers

THE CHANCELLOR of the Exchequer is not alone in believing that short termism is the abiding weakness of British business, despite his belief in the effectiveness of the market. It is indeed the modern consensus that British industry's performance lags because it puts too little money into long-term activities like research and development.

Not so long ago, the common view was that British industry invested too little all round. Such simplistic explanations of national differences in economic performance do not stand up well to analysis; even the crudest review of the statistics of industrial expenditure on R and D and the growth of industrial output shows that there is no correlation between the two at national level, and that British industry's expenditure is in the middle of the range for the industrialised countries.

Investment can more easily be correlated with growth in the economy as a whole, but the correlation begins to break down if investment in manufacturing is related to the growth of output in manufacturing. Further investigation reveals that the growth of output in British industry has been lower in relation to the level of investment than in most other countries; and the same low productivity seems to be true of R and D as well.

This crude evidence might suggest that what is researched and developed and how it is used are more relevant issues than how much is done. It also helps explain why some industrial research directors believe *that British industry does too* much research, because many of its fruits are left unused.

Telling industry to spend more on R and D in these circumstances is unlikely to influence behaviour. If politicians believe that industrial performance can be improved by exhortation, they should first inform themselves about the affairs of industry and try to understand why industrialists do what they do. They should appreciate that if their advice is to be effective, it has to be applied to the circumstances of individual companies.

Before any British minister again tells British industry that it does not know how much R and D is good for its health, let him try a small experiment. The Civil Service includes economists, engineers and scientists who study the affairs of industry, and some of them share the politicians' belief that British industry does too little R and D. He should select a group of these officials and commission them to seek out companies which are prepared to be advised on what extra research they should be doing. They should then be given a free run and six months inside each company to propose additional R and D expenditure that would improve the commercial prospects of the company.

The first point the officials would have to decide would be whether the company would do better to increase its expenditure on long-term research or on the development of new products or processes: and they would realise that the question could be answered only by identifying specific projects of each type that the company could undertake, and comparing the benefits which they might produce. Returns could not be compared in the way that economists would like, because they cannot be forecast accurately enough, so the officials' decisions would have to be based on judgment.

Establishing the potential of each project would soon reveal how much the company's staff knew about the relevant technologies and markets. That would help the officials judge what sort of work the company was best equipped to do, and whether technological or marketing knowledge could limit its ability to do more R and D. It would also show how much the company knew about the activities and abilities of its competitors, whose responses to its new products would do much to determine their profitability.

The company would be unlikely to have unemployed engineers and scientists on its books. Any increase in its R and D would therefore require an increase in staff or a reduction in other activities — which might be technical work other than R and D. So the officials would also have to judge whether extra R and D projects were more valuable than these activities, which might represent improvements to existing products or processes. They might find that transferring staff from those activities to R and D would reduce the company's ability to exploit new products and processes, and that to do so effectively would require a larger technical staff

The officials would now realise that the ability to recruit suitable engineers and *scientists was one of the crucial* determinants of the case for doing additional R and D in the company, so that they would have to study the employment market to find out if suitable people were available and at what price. If recruitment was going to lead to a general rise in salaries, extra R and D would become less attractive.

They should also be able to judge the ability of the company's managers to handle the introduction of new products or processes, whether it be their manufacture or sale. If the officials conclude that the managers are up to this task, and that the other conditions are favourable, they will be ready for the final test, the presentation of the case for extra R and D to the board. This presentation will give them the chance to find out whether the directors know enough about the technology and the market to establish or to judge a strategy for the company.

After this experience, the officials should return to their ministers with better idea of the constraints behaviour of British companies. They may conclude that the present managers or directors cannot handle a more ambitious R and D programme, *and all the other changes in the* company's operations which successful exploitation would require. They may feel that the early retirement of the board or a take-over by a foreign concern gives the best chance of improved performance;

Ministers may then wonder if they are concentrating on the right problems: the supply of suitably-educated people to improve the quality of managers and the promotion of competition so that inadequate boards cannot survive may seem the most useful roles for government. The Chancellor may wonder why he is subsidising industrial R and D

The author is a freelance writer and former civil servant.

Letters to the Editor

Branching out

From Dr J. Toporowski

Sir,—I found Hugo Dixon's perceptive report on trends in branch banking in the UK (January 8) very interesting and informative. In expounding the branch strategies of the main clearing banks however, he omitted to deal with two aspects of them which seem to me quite fundamental to the success or failure of those strategies.

First of all there is the public response to the new "sales" orientated banking ethos. *Banking is a business in which* conservative practices are widely associated with financial soundness (at least on this side of the Atlantic Ocean). Moreover, hitherto the public has expected its bankers to be persons of integrity whose advice is supposed to be objective and guided by the best interests of the customer, as the Securities and Investments Board has rightly recognised in its ruling separating agency from principal business in bank branches. For these two reasons, the promotion of banking as if indeed "selling banking is no different from selling hamburgers" can only undermine public confidence in a banking system that has up to now, and with only minor exceptions, avoided the kind of scandals that are emerging in other parts of the financial system. Moreover, insofar as the public is naive and willingly responds to the blandishments of loan-salesmen, will not more competitive selling leading to an increase in bad debts and personal distress and defaults among customers?

It is not clear from the article how the new strategy of turning bank branches into sales agencies is compatible with the mechanisation of routine banking services. If the latter are to be increasingly carried out by automated teller machines in the "forecourts" of future bank branches, as is usually proposed, what will attract customers further into the branch office to be confronted by enthusiastic sales staff? If this approach succeeds (and it has not succeeded so far in the case of finance houses that have tried it), it will surely be the first time that a retail organisation has sold its wares in the first instance on the basis of the superficial attractiveness of that staff.

The main UK clearing banks are indeed overbranched — one of them by as much as a third of its total network. This however, is as much due to the range of services that those branches perform as to their place in the structure of banking administration. It is in these two areas, rather than in harder and ultimately self-defeating marketing, that the solution to this problem is to be found.

(Dr) J. Toporowski.
28 Warrington Crescent, W9.

Licences of right for medicines

From the Director,
Association of the British Pharmaceutical Industry

Sir,—The claims by the group Pharmaceutical Licences Under Siege (January 8) demand refutation on two major points.

The report led with the claim that a House of Lords Bill to abolish licences of right for medicines could "cost the National Health Service up to £200m by the early 1990s." This is a ludicrously exaggerated figure. The Department of Health has accepted that the cost to the NHS would be minimal.

It was totally misleading to give the impression that the group represents "the generic drug makers" in this country. This association represents the manufacturers of some 90 per cent of the generic medicines supplied to the NHS and members are unanimous in their support for the move to abolish licences of right. As far as we can ascertain, none of them had even heard of the organisation calling itself PLUS. To the best of our knowledge PLUS represents just two or three companies with a limited UK significance but which have extensive international links.

It claims, however, that if licences of right are abolished there would be significant unemployment among personnel working for generic manufacturers in this country. This is untrue as far as member companies are concerned and we re-iterate that they represent the overwhelming volume both of sales of generic medicines to the NHS and exports of generic medicines from the UK.

Furthermore, a recently published NEDO report "A new focus on pharmaceuticals"—prepared by the representatives of government, industry and the trade unions—made the following recommendation: "Government should move speedily to abolish the 'licences of right' provision in the 1977 Patents Act in order to bring the level of protection extended in the UK up to that enjoyed in other countries."

We would recommend this document to any readers who might wish to have a balanced view of the problems facing one of Britain's most successful industries, which provides employment for over 80,000 people directly and contributes to the UK economy a positive balance of trade of over £850m a year.

(Dr) J. P. Griffin.
12 Whitehall, SW1.

Insider dealing

From Mr D. Barnes

Sir,—Professor Myddelton (January 8) uses portfolio theory to support his argument that honest investors are not harmed by insider dealing. This assumes, in addition to there being no taxes or transaction costs, that information is available instantly and at no cost to all participants in the market, each of whom has equal and instantaneous powers of analysis and interpretation. Under such conditions insider dealing is by definition impossible.

The theory which shows the honest investor to be unharmed by insider dealing also frees him of the burdens of stamp duty and commission, and allows him to manage his portfolio with the skill of a professional. Lucky Sid.

Dominic Barnes.
30 Crichton Avenue,
Wallington, Surrey.

Reform of the rates

From Dr D. Pickard

Sir,—Following your lead article of December 23 there have been several letters referring to the proposals to finance local government by a "community charge." While the present system has disadvantages, it should not be replaced by one which has even more. Modification or true reform of the present system deserves more thorough appraisal before it *is* replaced by a regressive poll tax, or by a local income tax, however it is disguised.

As Dr Smith (January 5) pointed out, more frequent valuations would make the tax on property much fairer, and if we accepted his suggestion that land value rating should be adopted, frequent revaluation could be very simply done. Mr

Mr Sayers (January 7) favours "self assessment" for his "residential charge;" it could also be used for land value rating. Let the land owner make his/her own assessment of the value of the land occupied, with the taxing authority reserving the right to purchase at the owner's valuation!

Those in favour of a local income tax, or its variations, should be aware that for "income tax," they should read "employment tax." As any employer knows, it is the employer not the employee, who has the obligation to hand over the "income tax" to the Inland Revenue, and this is not always *related to the ability of the employer* to pay—ask all those football cubs which face bankruptcy charges.

Land value rating is the fairest and simplest means of raising money for the finance of local government. It would also stimulate enterprise and development, by encouraging those who own derelict and disused land of high value to do something with it.

(Dr) D. W. Pickard.
Lane End Farm,
Denton,
Ilkley, Yorks.

Cigarette company power

From the Financial Controller,
Hancock's

Sir, — Christopher Parkes (December 23) made reference to the refusal of the tobacco industry to recognise the buying power of the independent cash-and-carry sector and in the same article stated that "wholesalers' margins will be maintained."

While the reference is indisputably correct, the statement concerning margins is misleading. Competition in the tobacco market is so intense that most of the leading brands have to be *sold at cost if they are to be* sold at all. Profitability is only possible on the less popular lines and overall it is impossible to achieve a gross margin of even 1 per cent. It is hardly surprising therefore that we have introduced our own brand Kingsway cigarettes, manufactured by Manchester Tobacco, selling at considerably lower prices. It is interesting to note that Kingsway cigarettes are sold in greater quantities than some of the brands mentioned. If the tobacco industry wishes to maintain its position in the market our buying power must be recognised and margins created

One point not mentioned is the industry's practice of demanding directors' personal guarantees which adds insult to injury, makes a mockery of limited liability and exposes directors to risks for which there are no rewards.

If only it were possible to trade without *selling tobacco.* Sadly we must continue to bear the cost of security, insurance, handling and financing while exposing our staff and property on the high risks of theft and our directors to penury for no reward.

P. D. Parkinson.
Belton Road West,
Loughborough, Leics

FINANCIAL TIMES

Wednesday January 14 1987

David Housego in Paris reports on attempts to capitalise on the Government's discomfort

French Socialists take up ideological arms

THE FRENCH Socialist Party is taking advantage of the Government's embarrassment over the recent wave of strikes and student conflicts to try to recapture from the French right the leadership in the country's battle of ideas.

The new, more combative note of the Socialists emerges in the official document setting out the proposed future direction and strategy of the party. It has been prepared in advance of the special party Congress in April.

The thesis is that the right's programme of free-market economics, deregulation and minimising of the role of the state – the dominant intellectual – of recent years has left the country "disoriented and disenchanted."

By contrast, the Socialists propose that the pursuit of increased industrial competitiveness should be accompanied by more emphasis on social justice and by maintaining the state's efficacy as a protective barrier against the unruliness of market forces.

The document comes at a time when Mr Jacques Chirac's, administration is in partial retreat from its free market programme, abandoning, for instance, its university reform project and a merit-related pay structure for the railways. It is also having difficulty in defining what compensatory social measures to put forward to ease labour discontent.

Turning the tables on the right, the Socialists put themselves forward as the defenders of a post-war Gaullist consensus that recognises the state's role in providing support for industry and which safeguards the social security system and employees' welfare.

In tactical terms, the document, drawn up by Mr Lionel Jospin, the Party Secretary, attempts to rally the party behind a renewed candidature for the presidency by Mr Francois Mitterrand. This has been resented by Mr Michel Rocard, the only Socialist to have so far declared his candidature, and his followers.

It also makes clear that while the Socialists hope to capture votes from the Communist Party, seen as being in "probably lasting decline", they are also looking to the centre for support. The Socialists must address themselves to all who feel threatened by the right's policies, the document says.

Noticeably absent from the document is any Marxist language. Even the French Socialist movement is described as "more of a movement towards Socialism" to make clear the difference with East European models.

On economic policy the document formulates Socialist goals as improving industrial competitiveness and obtaining a higher growth rate but one compatible with maintaining financial equilibrium. It foresees further job creation through work-share programmes backed by the state.

The Socialists, according to the document, which will form the basis of discussion at the congress, would transfer more funds to education with the aim of allowing 80 per cent of any age group to reach baccalaureat (university entrance) level.

It wholeheartedly embraces what it calls the "victorious student movement and the values it enshrined of a refusal of injustice and inequality."

The document retains Mr Rocard's proposals for a minimum "social wage" as a safety net against poverty.

Notwithstanding the Socialists' record in office of suspending collective bargaining, the document presses for continuing dialogue with unions and employee representatives. It says that societies in which social dialogue has most progressed are those with the best record on training and employment.

The document is also strongly pro-European in tone, going so far as to commit the Socialists to a reform of EEC agriculture policy that would phase out surpluses.

Not surprisingly, however, it leaves little doubt that much of the Socialists' campaign would be fought on attacking the right's record which its describes as no longer conservative "but openly reactionary."

THE public sector strikes which have disrupted transport and electricity services in France had almost spluttered out yesterday.

EdF, the French electricity authority, reported that output in the country reached a record yesterday notwithstanding continuing strike action by the Communist-led CGT union. Mainline rail services were also almost back to normal after further depots in the south of the country voted a return to work.

Some disruption continued on the Paris Metro and suburban services, but this was expected to end today after further concessions on pay from the Paris transport authority, the RATP.

The CGT is now the only union still actively backing strike action, but on both the rail and Paris transport networks groups of drivers were independently pursuing the strike.

In the wake of the virtual settlement of the dispute, the Government announced yesterday that it would open salary negotiations involving 4.5m public administration employees on January 22. The Government's position is that increases must be held to within a ceiling of 3 per cent.

Airbus lands $2bn A-320 deal

BY MICHAEL DONNE IN LONDON AND GEORGE GRAHAM IN PARIS

AIRBUS INDUSTRIE, the European jet airliner manufacturer, has been given another boost to its fortunes by a $2bn deal for 50 more of its 150-seat A-320 aircraft, bringing total firm orders and options for that aircraft to 437 before the aircraft has made its maiden flight.

The latest deal has been generated by Guinness Peat Aviation (GPA), the Irish aircraft financing organisation, based in Shannon. In conjunction with Airbus Industrie, it has set up a joint venture company called GPA Airbus 320, in which Banque Paribas and Pacific Western Airlines of Canada are also partners.

GPA Airbus 320 has placed orders for 25 A-320s for delivery between 1990 and 1992, and has secured positions for another 25 to be delivered between 1992 and 1994. All 50 aircraft will be offered on operating leases to airlines worldwide, and it is expected that Pacific Western itself will be among them, although that airline has so far made no formal commitment.

But Pacific Western said yesterday in Paris that it would be sending an evaluation team to Airbus soon and would "seriously consider" the A-320 for its future fleet needs. Pacific Western recently acquired Canadian Pacific Airlines, making it the second largest airline in Canada.

GPA will be the major shareholder in GPA Airbus 320, with 50 per cent. Airbus itself will hold 17.5 per cent, with Banque Paribas and Pacific Western sharing the rest.

The deal is significant in several ways. First, it raises the total of orders for this version of the Airbus to more than 400 – the figure at which the aircraft is expected to break-even on its development costs and start to earn profits on its manufacture.

Secondly, it will serve as an encouragement to British Aerospace, which makes the wings for the A-320, in its plea to the UK Government for further launching aid to help it develop the wings for a new generation of A-330 and A-340 Airbuses.

BAe has asked for £750m ($1.1bn) for these new ventures, and the UK Government has so far been hesitant in responding. BAe had earlier won £250m in launching aid from the Government for the A-320's wings, and the UK company can argue that in view of the success of the A-320, Britain can reasonably expect the A-330 and A-340 also to be successful.

Whether the UK Government will accept that point of view remains to be seen, but it is now certain that it will be getting back most, if not all, of the original launching aid granted for the A-320, which must influence its decision on cash for the A-330 and A-340.

The latest deal is along similar lines to that signed late last year between GPA and Fokker of the Netherlands, setting up a joint company with Mitsubishi of Japan to buy up to 100 Fokker F-100 twin-jets for leasing to airlines worldwide.

GPA has another similar organisation with McDonnell Douglas of the US, called Irish Aerospace, which buys and leases MD-83 twin-jet airliners.

Mr Tony Ryan, chairman and chief executive of GPA, said that the latest deal marked the completion of two years of intensive work on GPA's strategic fleet plan for the 1990s. The A-320 order puts in place the final element of this plan.

"Airline needs over the next decade will focus primarily on aircraft in the 100-to150-seat capacity range. We have built our fleet of new aircraft around this size," Mr Ryan said.

The addition of the A-320s brings to over 300 the number of aircraft of different types owned or on order by the GPA group.

These aircraft involve an investment by GPA of more than $6bn.

Mr Ryan said he expected the A-320 to be a key aircraft in airline fleets well into the next century and added: "Our investment is a statement of our confidence in the European aerospace industry combining French, German, British and Spanish technological expertise."

TAP/Air Portugal plans to lease three Airbus A-310 airliners, with an option to acquire an other two in the more distant future. The cost will be $250m. The European aircraft will replace ageing Boeing 707s.

The new acquisitions, over which TAP has been deliberating for several years under fierce lobbying from the European and US manufacturers, are part of ambitious plans to modernise Portugal's national airline.

TAP has greatly improved its image and performance in recent years, and has been helped by the steady growth of tourism which now brings more than 10m people to Portugal a year.

AT&T, Philips win deal in Indonesia

By John Murray Brown in Jakarta

A JOINT venture formed by AT&T of the US and Philips of the Netherlands has won a key digital telephone contract in Indonesia – increasingly one of the world's largest markets for telecommunications sales – against stiff international competition.

The contract, initially worth $200m, is seen as a particular blow to Alcatel, the industry's new European flagship company – formed from Compagnie Generale d'Electricite (CGE) of France, and ITT of the US – coming as it does just one week after its formal launch.

The turnkey contract will be part financed by a Dutch soft loan of Fl 100m ($46m) further underlining the vital role of Philips in the joint venture by producing access to more flexible government finance than is available in the US.

The US-Dutch joint venture, ATP, will supply 100,000 lines in Jakarta, the capital, and Surabaya, the country's second city and main industrial centre, in the country's second digital contract this decade. Siemens of West Germany installed the first, valued at $170m, in 1982.

Government officials yesterday confirmed plans to instal a further 150,000 units shortly and 750,000 by 1990, to a total value of $4.5bn. Indonesia, which has a population of 165m, is the world's fifth most populous country. It currently has five telephones per 1,000 people, compared with 800 in the UK.

The ATP contract coincides with a high level US trade delegation to Jakarta led by eight members of the US congressional telecommunications sub-committee along with representatives of 17 major US companies, including AT&T.

The visit comes one month after the US Eximbank offered $100m in concessionary finance expressly to support US high technology sales to Indonesia, part of which will come from the two-year $200m 'war chest' set up by President Ronald Reagan in October to challenge European and Japanese bids for key third world contracts.

A French Government soft loan worth FFr 950m ($148m) is currently supporting a bid by Alcatel to win a contract to supply a microwave link up between Java and Bali, worth FFr 310m.

Telecommunications remain a top priority for President Suharto's development-oriented government. Last week's 1987–88 draft budget included a 23 per cent increase in telecommunications spending

Alcatel takes two lines of attack, Page 19

IBM still in South Africa, say unions

Continued from Page 1

IBM said in New York that it could not comment directly on any particular letter from Mr Clarke. But the company insisted that it was leaving South Africa, and that, once the current negotiations to set up a new, independent company were completed, the company would have no assets and no employees in South Africa.

The company acknowledged that the question of availability of IBM products was part of those talks but denied that there was any question of flexibility over any policy of sanctions applied by the US Government. The new company would stay within sanctions legislation and US export laws.

Any flexibility would be the ability of the new company to market, if it wished to, non-IBM products in addition to those from IBM.

Mr Morton Bahr, president of the Communication Workers of America, which has taken upon itself unionisation of IBM as a major challenge, described the company's position a "sham".

Israel devalues shekel by 10.2% in attempt to secure reforms

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL has devalued the shekel by 10.2 per cent against a basket of currencies heavily weighted in favour of the dollar. The devaluation – the first for more than 18 months was designed to facilitate the passage of the 1987–88 fiscal budget and its associated package of economic reforms, which are facing resistance from industry and labour.

On Monday night the coalition cabinet approved an austerity budget totalling shekels 34bn ($20.73bn at the new exchange rate) for the coming fiscal year from April, following agreement on selective expenditure cuts of shekels 400m. Defence spending of about $5bn remained unscathed. Despite the cuts there is still a substantial budget deficit.

The devaluation of the shekel, after 18-months of exchange rate stability unprecedented in recent years, follows pressure from industry for compensation for its increasing lack of competitivity abroad. Aided by automatic cost of living adjustments, average wages have risen 20 per cent in the past year, at a time when the shekel has appreciated in value against the dollar.

Under the new exchange rates, the shekel's weighted average against the international basket moves from 1.52 to 1.68, while its value against the dollar – in which more than 60 per cent of its international trade is denominated – changes from 1.49 to 1.64. Exports have been flagging in recent months, raising fears of a fresh balance of payments crisis later this year.

Prof Michael Bruno, governor of the Central Bank, described the move – strenuously resisted by the country's economic authorities – as necessary to help Israel's industrialists offset likely cost increases under a package agreement being worked out with the Histadrut, the giant labour federation.

The Histadrut was due yesterday to sign a new agreement under which its members would forego certain cost of living adjustments in the coming year and agree to lower food subsidies. Milk, bread and chicken prices are due to rise between 5 per cent and 15 per cent as a result of the subsidy cuts.

The signing was postponed at the last minute to today without any reason given. However, Mr Yisrael Kessar, secretary-general of the labour federation, said he expected the agreement to be signed today without any changes.

The cabinet has also agreed on a watered-down package of personal and corporate tax reforms, reducing the new ceiling to 52.8 per cent, and raising the threshold from 20 per cent to 25 per cent. A more ambitious abortive programme launched in December would have reduced the top marginal rate from 60 per cent to 45 per cent.

The budget proposals now go before the Knesset, Israel's parliament, which is required to approve the draft by the end of this month in time to come into force on April 1. Opposition is expected from the left, but the coalition's overwhelming majority should ensure its safe passage.

Mr Moshe Nissim, Finance Minister, hailed the hard-fought Cabinet agreement. He said yesterday that Israel would now be able to compete in the international market. Private economists expressed doubts, however, over the likely public response to the programme, which could undermine new-found confidence in the stability of the Israeli currency.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	10	50	Dubrovnik	R	9	48	Malta	—	—	—	Rhodes	F	16	61
Algiers	—	—	—	Edinburgh	C	-2	28	Manchester	F	-4	25	Rio de J'o	S	37	98
Amsterdam	Sn	-7	19	Faro	R	15	59	Manila	S	31	88	Rome	C	14	57
Athens	S	16	61	Florence	R	1	34	Melbourne	—	—	—	Salzburg	S	-14	7
Bahrain	F	19	66	Frankfurt	S	-11	12	Mexico City	S	24	75	San Francisco	F	9	48
Bangkok	S	29	84	Funchal	F	19	66	Miami	C	18	65	Seoul	F	-8	18
Barcelona	S	12	54	Geneva	Sn	-10	14	Milan	C	-4	25	Singapore	S	28	82
Beirut	C	18	64	Gibraltar	R	14	57	Montreal	Sn	-2	28	Stockholm	S	-17	1
Belfast	Sn	-3	27	Glasgow	Sn	-4	25	Moscow	Sn	-13	9	Strasbourg	C	-13	9
Belgrade	Sn	-9	16	Guernsey	C	-5	23	Munich	S	-14	7	Sydney	S	27	80
Berlin	S	-18	0	Helsinki	S	-22	-8	Nairobi	—	—	—	Taipei	F	15	59
Biarritz	F	10	50	H. Kong	S	19	66	Naples	F	15	59	Tangier	T	15	59
Bombay	—	—	—	Innsbruck	F	-15	5	Nassau	S	22	72	Tel Aviv	S	17	63
Bordeaux	C	-7	19	Inverness	Sn	-5	23	New Delhi	S	22	72	Tenerife	F	20	68
Brussels	F	-8	18	Islamabad	C	17	63	New York	F	4	39	Tokyo	F	10	50
Budapest	Sn	-16	3	Istanbul	S	12	54	Nice	C	3	37	Toronto	C	2	36
B. Aires	S	30	86	Jakarta	R	30	86	Nicosia	F	15	59	Tunis	S	18	64
Cairo	S	21	70	Jersey	F	-4	25	Oporto	C	10	50	Valencia	F	15	59
Cape Town	—	—	—	Jo'burg	S	26	79	Oslo	S	-13	9	Venice	Sn	-5	23
Caracas	C	24	75	Lima	C	26	79	Paris	C	-8	18	Vienna	S	-16	3
Casablanca	C	17	63	Lisbon	F	13	55	Peking	F	-2	28	Warsaw	S	-20	-4
Chicago	C	7	44	London	Sn	-5	23	Prague	S	-13	9	Washington	—	—	—
Cologne	S	-8	18	Los Angeles	C	27	81	Reykjavik	C	4	39	Zurich	Sn	-14	7
Copenhagen	S	-11	12	Luxembourg	S	-11	12								
Corfu	F	14	57	Madrid	F	8	46								
Dallas	—	—	—	Majorca	F	15	59								
Dublin	Sn	-3	27	Malaga	—	—	—								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Morgan Grenfell review

Continued from Page 1

is Morgan's biggest shareholder with just over 20 per cent.

The committee is also consulting Lord O'Brien, the former Governor of the Bank of England, and Mr J. E. H. Collins, the chairman of Guardian Royal Exchange Assurance, both of them members of Morgan's international advisory council.

Yesterday's announcement specifically singled out Morgan's "organisational structure and management reporting systems" as the object of the committee inquiry. The Guinness affair, which may have involved breaches of the Companies Act, has raised questions about the extent of the knowledge and responsibility within Morgan for actions taken during last year's bid for Distillers, in which Morgan was acting as Guinness' financial adviser. Mr Roger Seelig, the Morgan director of corporate finance, has already resigned.

Meanwhile, Mr James Bryant, an executive director of Lazard Brothers, the merchant bank, is to take over temporarily as finance director of Guinness, filling a place vacated by another figure who has resigned in the affair, Mr Olivier Roux.

Mr Bryant, who is 45, was previously finance director of Lazards, who have become Guinness' principal financial advisers since the resignation last month of Morgan Grenfell.

There is to be a full meeting of Guinness' board this afternoon to review the position

Support fails to reverse $ slide

Continued from Page 1

to worsen steadily as most believe the D-Mark would continue to strengthen unless West Germany gives in to mounting international pressure to cut its leading interest rates.

Despite firm oil prices, sterling had a rough ride against the D-Mark and fell decisively through an important technical support point at DM 2.80 to end at DM 2.7950, a record closing low, compared with Monday's closing DM 2.8200. Its trade weighted index fell to 68.5 from Monday's close at 68.9.

While equities were buoyed by a strong performance in oil stocks, UK government bond prices fell by as much as 1½ points

THE LEX COLUMN

Elephantiasis in Frankfurt

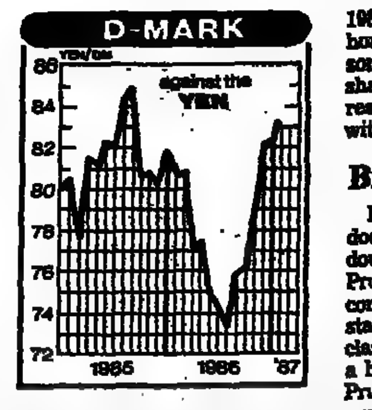
If oil shares had not risen this week, there would be a lot more wrong with the market than its difficulties over share-ramping and insider dealing. But there does appear to be a divergence between the pricing of oil-based equities and the movement in oil-based currencies: sterling has yet to perform its seasonal wobble, but the pound was off 3 pfennings yesterday, taking gilt-edged down behind it.

Bundesbank

As EMS realignments go, last weekend's must have broken some sort of a record for the speed with which speculators started betting on the next. Normally realignments are followed by a flow back of capital to the devalued currencies, but this time the profit-taking was short-lived and yesterday the French franc weakened once more. Central bank intervention was, as so often, ineffective against the tide of money flowing out of the dollar and the D-Mark, which has taken over from the yen as the favourite new home for refugee money, was taking that capital in.

Yesterday's confirmation that West German money stock growth was uncomfortably above target last year – and annualised 9.6 per cent in the six months to December – gives the currency dealers a topsy turvy reason to keep buying D-Marks. The Bundesbank's unswervable commitment to reining in money growth, based on an ingrained fear of inflation, favours the retention of current official levels of interest rates, though money market rates can be allowed to slip a bit. Intervention can make the problem even worse if dollars bought by the Bundesbank are leaked back into the system, expanding the money stock again. The money figures for January must already be swollen.

Meanwhile, the politicians' preference for a lower D-Mark argues for a cut in interest rates. Buyers of D-Mark Bonds convince themselves that they cannot lose: if money rates stay the same, they make on the currency, if rates fall they have a capital gain. The vicious circle of inflows, money growth, high interest rates and further inflows, must be unsustainable. Once the election is over the new government is unlikely to be so concerned about offending already disgruntled exporters, while the slowdown in the economy and the worsening trade balance may reassert some fundamentals on the foreign exchanges. The Swiss solution of paying foreigners negative interest rates is sadly, for the Bundesbank, no longer allowed.



Sturge

Such has been the run-up in the Sturge share price since the new year – a vertical gain of nearly 15 per cent in the fortnight before yesterday's figures – that there was nothing left for a reaction to some good-looking results. Earnings for the year to September were up by two-fifths to £5.6m, despite the lack of profit commission on some business handled in the 1983 Lloyd's account. The growth in Sturge's capacity since then (increasing by roughly 150 per cent) means that this important component in overall profits will rise strongly over the next three years.

Over that span, Sturge should perhaps be able to add a point or two to its already very large market share of the agency business, if some of the divested agencies – compulsorily shed by the brokers – get tired of life in a leveraged buyout. The shadow of a further separation of function between syndicate management and looking after the names just might fall across Sturge (which does both) after next week's report from Sir Patrick Neill.

At 474p, Sturge is admittedly on an enormous multiple of 24 times historic earnings; but the market is justified in reckoning on a doubling of reported earnings per share by 1989. Why this should have struck home with such suddenness is something of a mystery, but the shares are tightly enough held to respond to the merest whiff of news with disconcerting violence.

Bid underwriting

Last night's slamming of stable doors at the UK Takeover Panel no doubt provoked howls of anguish at Pru-Bache Securities. The panel's concession that – in certain circumstances – underwriters should be classified as acting in concert with a bidder was the point pressed by Pru-Bache on behalf of the McCorquodale managers in their battle with Norton Opax last year. Pru-Bache lost its case, McCorquodale its independence, and – following long legal deliberations – the panel its freedom from judicial review.

The extent of this belated change of mind remains unclear however. What the panel has said is that ordinary "arms length" underwriting is not the same as joining a concert party, but that underwriting arrangements that are sufficiently extraordinary (with underwriter and company in cahoots) may be.

Such a relationship is hard to prove. In any case, material interest in the outcome of a bid is surely the central issue. The good thing is that more underwriters will probably feel inclined to disclose share purchases. It will be no bad thing if the Panel's next pronouncement – due soon – looks at the positions of large shareholders in the bidding company (underwriters or not).

Guinness secondees

For all the questions that have been raised about role of consultants at Guinness, it was just about inevitable that one seconded finance director – from Bain & Co – would have to be replaced by another. The despatch of a firefighter from Lazard Brothers is clearly not intended to lead into another long-term oddity where a key long-term position on the group board is occupied by the employee of another company. And it does have the advantage, for Lazards as much as for Guinness, that the merchant bank with prime responsibility for digging Guinness out of the pit will have a much closer knowledge of its recently acquired client.

A hunt that grows increasingly competitive

BY MICHAEL DIXON

READERS wishing to test their knowledge of contemporary British life might care to have a go at the following question. Which four kinds of warm-blooded creatures are legitimately hunted throughout Britain continuously between now and April?

The answer is foxes, hares, the bucks of fallow deer, and graduates.

Of the four, there can be no doubt that it is the graduates who attract the keenest and most expensive pursuit. For during the next weeks the groves of academe will be teeming with the representatives of employing organisations vying with one another for young recruits.

Moreover the competition among the recruiters seems set to be greater than ever before, according to a survey of 122 employers just published by PA Personnel Services. Rivalry was fierce enough last year when those organisations were content with an average of 39 degree-winners apiece. Their target bag for the new season works out at 44.

The likely effect on the average salaries the employers in different industries expect to have to pay this year is shown by the first two columns of figures in the above table, which is drawn from PA's report. (Anyone wanting a copy should contact Sheila Smith at 60a Knightsbridge, London SW1X 7LE; telephone 01-235 6060, telex 27874).

Sector of industry	Average start pay forecast for 1987 £	Average start pay 1986 £	Typical progress of acceptable and above-average staff already employed: After three years: Acceptable £	After three years: Above-average £	After five years: Acceptable £	After five years: Above-average £	After ten years: Acceptable £	After ten years: Above-average £
Oil and gas	11,101	10,344	13,333	13,666	15,000	15,333	17,666	19,666
Computers and electronics	10,844	8,193	11,181	12,500	13,454	15,400	16,272	19,650
Technical and scientific services	9,113	8,488	12,600	13,800	14,800	19,100	18,400	24,600
Chemicals and allied	9,052	8,560	—	—	—	—	—	—
Food, drink and tobacco	8,719	8,169	12,384	13,461	14,692	17,038	18,769	24,961
Professional services	8,588	7,732	11,954	12,363	14,909	17,136	20,909	25,590
Manufacturing except engineering	8,493	7,971	10,600	11,800	12,200	14,400	14,000	17,400
Engineering including motor	8,478	7,892	9,846	11,000	11,538	13,615	13,769	17,230
Banking, insurance, etc	8,301	7,661	10,800	11,762	13,150	15,738	17,050	22,262
Government and public services	8,250	7,733	10,000	12,000	12,250	14,750	14,500	17,500
Transport and communications	8,167	7,800	10,000	10,333	12,000	16,333	16,666	21,666
Retail and distribution	7,963	7,504	10,285	11,714	12,428	15,714	16,571	22,000
Construction	7,794	7,289	9,777	10,111	11,777	12,888	14,777	16,666
Others	8,500	7,998	12,000	13,000	15,000	15,850	18,000	19,250
Overall	8,553	7,979	10,874	12,086	13,182	15,639	16,808	21,339

Taking all the sectors of industry together the forecast rise over 1986 is 7.2 per cent. The only sector markedly below that overall figure is construction with 4.7. Two are well above the norm. One is professional services with an expected rise of 11.1 per cent. The other is computers and electronics with a bumper 32.4.

The table's remaining six columns refer to degree-winners engaged by the 122 employers in previous years, and of course take no account of the latest starting pay figures. Even so they give some indication of the later average salaries in prospect for two different types of graduate recruit.

The first is the worker whose performance is judged no better than acceptable. The second is valued as above-average. In each case we have the typical salary respectively at the end of three years, five years and 10 years service.

Overall the above-average worker's advantage over the acceptable counterpart after a decade with the organisation is 27 per cent. In five sectors the differential for good performance is between three tenths and just over a third: transport and communications at 30 per cent; banking, insurance and so on at 30.6; retailing and distribution at 32.8; food, drink and tobacco at 33; and technical and scientific services at 33.7

Few if any of the organisations, however, expect to keep very many of their graduate recruits for as long as a decade. Even the government and public services sector reckons to lose nearly a quarter of them by the end of four years. Over the same period the retail and distribution industry budgets to shed seven in every 10. The others range in between, the all-sector loss rate being 37 per cent.

In the circumstances someone unfamiliar with British recruitment customs might be puzzled to see that, when jobs are scarce for the majority of young people, organisations are vying with one another to recruit a graduate minority to the extent of raising starting pay ahead of inflation. If so, the puzzle would probably be deepened by a further factor.

Employers are in some instances looking for winners of degrees in specific topics. The biggest such category noted by the PA survey is engineers and technologists who make up a quarter of the total sought. But in a still bigger proportion of the jobs on offer—38 per cent—the subject studied by the graduate does not matter. In which case, a stranger might wonder, why is the organisation insisting that the recruits must have a degree at all?

The main explanation may lie in the fact that, even where employers require some particular subject knowledge, they generally count it less important than other attributes usually described by the nebulous phrase "personal qualities." Examples are said to be the ability to work in teams and otherwise to form productive relationships with people. And it seems that organisations believe such qualities are far more likely to be found in people who have gained a degree than in those who ended their formal education on a lower perch of the academic pecking order.

To some extent that belief is probably right. Britain's education system notoriously concentrates on the minority of children with academic aptitudes at the expense of failing to develop the other kinds of talent possessed by the majority whose intelligences and interests run in other directions.

Indeed it is not unfair to say that it is a system which, for every person it qualifies for anything, disqualifies about two from everything—and it only costs £16bn a year.

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The Private Clients Stockbroking operation of our Client is expanding rapidly and as a consequence, they require additional talented executives capable of handling both discretionary and non-discretionary accounts. Our Client's recent merger with a highly regarded Merchant Bank will widen people's career prospects within a stable background.

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Ideally candidates will have gained a sound background in treasury management including foreign exchange exposure, liability or asset management experience and fund management, and will possess significant experience of general dealing with the major banks. Great emphasis will be placed on candidates' personal qualities and the person appointed will be expected to possess good interpersonal and negotiating skills with the confidence and maturity to justify his or her decisions.

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Interested? Then please ring or preferably write, in total confidence, to me, Trevor G. Boon, Sowerby's (Selection) Ltd., Personnel Consultants, 500 Chesham House, 150 Regent Street, London, W1R 5FA. Tel: 01-439 6288.

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(Incidentally, if your experience has been gained in any of the above roles, your transition will be that much easier).

But although a lot has been said about the influence of computers on the finance sector, we have only scratched the surface of the potential that really exists – this is where you come in.

It is a role that will entail responsibilities far beyond the traditional parameters of marketing with much of your effort being directed towards examining sectors of the industry, identifying where information needs exist and how best Datastream can supply a technologically based solution.

This will involve not only working with our development team on creating new products, but also planning the marketing strategies for their launch.

Our corporate growth plans are ambitious to say the least, and the chance to develop a more detailed understanding of financial marketing is there for the taking. Among the more material considerations are a highly competitive salary and an unrivalled benefits package including Free Life Assurance, Non Contributory Pension Scheme and Private Medical Cover.

For more details write with full career details including present salary and daytime phone number to Karen Taylor, Recruitment Officer, Datastream International Ltd, Monmouth House, 58/64 City Road, London, EC1Y 2AL.

a company of
Dun & Bradstreet International

COMPLIANCE

CITY

Salary Negotiable in excess of £30,000 with substantial Bonus + Benefits

Goldman Sachs

Goldman Sachs is a major international financial services firm. In London, it is a primary dealer in gilt securities and an equity market maker on The Stock Exchange.

The London office now wishes to recruit for a newly created position within the compliance function. The terms of reference will be necessarily wide as you will assist in setting up compliance procedures, advise the firm on compliance-related issues, ensure that employees understand rules and regulations, and liaise with regulatory authorities. The position offers exposure at all levels to the production and operations areas of the firm.

Because of the importance attached to this role your background will have to be equally impressive. You will be a determined and creative self starter with good business judgement. You will also be a graduate with a legal or accountancy background, ideally both. At least three years of securities industry experience and a working knowledge of Stock Exchange rules and regulations are required.

*For further details of this position, which carries a substantial bonus and excellent benefits, contact **Graham Palfery-Smith** or **Harsa Savjani** on **01-629 4463** (or **01-889 8822** or **697 6811** at evenings and weekends), alternatively write enclosing a comprehensive career history quoting ref HS 235.*

HARRISON WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 3FD. TEL: 01-629 4463.

Correspondent Banker

Salary Neg. + Company Car & Bank Benefits City Based

As part of the continuing development of Royal Trust Bank, we are now seeking to recruit a correspondent banker to join our Management team.

This is a new role for which the primary responsibility will be to establish new bank relationships for money market lines, as well as marketing and creating an awareness of the products and services available from Royal Trust Bank, and the Royal Trust Group.

The right candidate will be aged 28–40 with at least 3 years correspondent banking and/or representative office experience in the London market. Ability to work on his/her own initiative and first class communication skills are essential.

Salary will be negotiable and benefits include a company car, mortgage subsidy, private medical cover, pension and life assurance.

Please write in strict confidence to:

John A. Newman, Senior Associate Director, Royal Trust Bank, Royal Trust House, 48-50 Cannon Street, London EC4N 6LD.

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Appointments Advertising

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For further information, call:

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01-248 4782
Emma Cox
01-236 3769

Marketing Manager

Credit evaluation
Central London
around £30-35,000 + bonus

This new London based operation has been established with significant backing to market and sell a high level credit evaluation service aimed specifically at the Euromarket.

They are looking for a Marketing Manager who understands the undoubted potential of this service. It is vital that the successful candidate is comfortable with financial analysis terminology, understands banking structures both UK and globally, and has institutional investor contacts.

Reporting to the Managing Director, the challenge, excitement and ultimate remuneration of the role stems from the innovative nature of the service offered. The incumbent will have to be sensitive to international market needs, adaptable in approach and strong enough to steer the company to match market requirements.

Candidates should have gained appropriate international experience, in the financial services sector and also have a second European language.

Prospects for the successful candidate lie in the planned growth of the company, and with the potential to progress to associate director level.

Please send full CV in confidence quoting reference MCS/3016 to:
Tracey Phillips
Executive Selection Division
Price Waterhouse
Management Consultants
No. 1 London Bridge
London SE1 9QL

Price Waterhouse

Japanese equity sales experience?

Establish a Name for Yourself!

c.£30k + benefits

My client is the newly-established London branch of a major overseas securities house, itself part of a prestigious international finance group backed by immense resources and long-standing experience. Offering a comprehensive package of financial services, the new company is the spearhead of an ambitious programme of expansion into other foreign markets, in which international corporate and institutional business will play an increasingly vital role in the parent's overall marketing strategy.

As a first step the company *now wishes to appoint a Japanese equities sales executive to launch this sector of its activities in the* U.K. This is an exceptional career-building opportunity providing early responsibility and considerable freedom of initiative.

Probably aged 25-30 and a graduate in finance or economics, you will have between one and two years' relevant equities experience, supported by sales flair and market awareness, and will be capable of making an immediate contribution by building on an existing client portfolio.

Energy, enthusiasm, decisiveness and resilience under pressure will all be key personal characteristics, and you will be at once articulate, authoritative and persuasive, creating both interest in the product and confidence in the company. You should also possess a stable, team-orientated personality and display drive and managerial potential.

Sowerby's Selection

Interested? Then ring or preferably write, in total confidence, to me, Trevor G. Boon, Sowerby's (Selection) Ltd., Personnel Consultants, 500 Chesham House, 150 Regent Street, London, W1R 5EA. Tel: 01-439 8288.

Currency Economist

A new role in one of the world's leading banks

One of the world's largest and financially strongest international banks offers the opportunity for an experienced Currency Economist, probably now a number two or three in a team, to make a career development move by taking on a new role in a rapidly expanding Treasury function.

The appointee will be responsible for establishing the department's analysis and research capability within the financial and currency markets and for advising FX Dealers on future market trends.

The bank's growth and commitment to both London and the world's financial markets is underlined by its recent completion of a new 'state-of-the-art' Dealing room, doubling the size of the Treasury department.

Candidates should have at least two years' experience in Currency Economics with an established financial institution. A broad knowledge of the foreign exchange and money markets is required, both in US$ and major European currencies. In addition to a degree, a post-graduate qualification would be advantageous.

An attractive salary and benefits package is offered, reflecting the importance and status the Bank attaches to this position.

To apply, please write to John Sears & Associates, Executive Recruitment Consultants, Cavendish Court, 11-15 Wigmore Street, London W1H 9LB or telephone: 01-629 3532.

John Sears and Associates A MEMBER OF THE SMCL GROUP

EQUITY DESK POSITION

Highly motivated person with excellent organisational skills urgently needed to join a successful and dynamic team of institutional equity professionals with an established but rapidly expanding business. A good telephone manner, experience in sales trading operations, knowledge of computers and the determination and willingness to adopt a flexible role in achieving team goals will be substantial assets.

Please write with curriculum vitae to:

L. Berry
10th Floor
Princess House
27 Bush Lane
London EC4R 0AN

Portfolio Managers

U.K. and European Equities — International Bonds

- WE are the rapidly expanding investment management arm of the world-wide Nomura organisation seeking two first class portfolio managers with experience in either of these areas.
- YOU are 25-35 and seeking to become part of a successful team, reporting to a Senior Portfolio Manager.
- YOU have the confidence and maturity to accept departmental responsibilities and deputise for your Senior Portfolio Manager during his absence from the office.
- YOU will enjoy the challenge of a demanding and rewarding position with a prestigious organisation.
- YOU will be prepared to undertake a certain amount of world-wide travel.
- YOU will qualify for a generous salary and substantial benefits.

NOMURA

If you believe you meet our requirements, please write, enclosing detailed c.v. to: Mr. N. Kishi, Managing Director, Nimco Europe Limited, 24 Monument Street, London EC3R 8AJ.

Energy Economics Analysis – London

£21,024-£24,085

The Central Electricity Generating Board is one of the world's largest electric power utilities with responsibility for planning, building and operating power stations for the bulk supply of electricity.

We are seeking to fill a vacancy within the Fossil Fuel and Energy Section which is involved in the formulation of policy advice on all aspects of the economics of fossil fuel supply and also advises on transport and fuel related matters of longer term commercial and strategic interest to CEGB. The Section is responsible for the preparation of medium and long term forecasts of fossil fuel price and availability within UK, from both imported and indigenous sources, as an input into the Board's formal investment plans. The work ranges from the identification and evaluation of long term strategies designed to ensure the Board's continued access to economic sources of fossil fuel to detailed economic assessments.

You will lead a small team engaged in analysis of the UK Coal Industry but may be required to participate in any of the work of the Section. The main duties of the post involve the assessment of the likely levels of production from indigenous coal sources within the UK and the development and use of a cost based model of the UK coal industry to analyse possible changes in the cost competitiveness of British Coal. You will also be required to forecast coal prices in the UK over the longer term.

You should be educated to degree level, preferably in economics or business studies, and should have a broad understanding of current energy issues, particularly as they affect both British Coal and CEGB.

You must be able to demonstrate an ability to analyse and formulate solutions to complex issues, including the ability to organise and present numerical information, and to express yourself effectively both orally and in writing. Experience in the use of computer modelling techniques for economic analysis applied to problems in the energy supply area would be an advantage.

Please write with full details, including age and current salary if applicable, to Group Personnel Officer, CEGB, Sudbury House, 15 Newgate Street, London EC1A 7AU by January 30 1987 quoting Reference 6/87/CG/FT.

The CEGB is an equal opportunity employer.

CENTRAL ELECTRICITY GENERATING BOARD HEADQUARTERS

MANAGER

Fiscal Agencies

London — Salary negotiable

The position of Manager – Fiscal Agencies within this client company, a major International Bank, is a post which demands commitment – stretching both your management ability and your professional skills to the full.

The prime responsibility of the position will be to promote and expand the Bank's role as a Fiscal and Paying Agent whilst maintaining the high standards of service upon which the Bank's reputation has been built.

Candidates, aged late 20's to early 30's, should have at least 5 years' experience gained either in syndications or direct loans processing of which 1 or 2 years will have been spent in a designate position. Previous activity in fiscal and paying agencies is essential as is experience of a substantial portfolio with major issuers.

As the Bank's primary contact, the successful candidate will play a major role in the development of both existing and prospective customers. Leading a team of five you will maintain departmental efficiency through staff motivation and attention to administrative detail.

The position carries an attractive compensation and benefits package and is likely to attract those currently earning in the £17,000–£22,000 range.

Please apply in the first instance, in strict confidence, enclosing a full CV: quoting Ref 875 to: JPW Recruitment Advertising Ltd, Chancery House, 53/64 Chancery Lane, London WC2A 1QX.

JPW
Recruitment Advertising

RESEARCH DIRECTOR

RESEARCH ANALYSTS

GRP

Our client, the UK stockbroking division of a European Financial institution, requires additional research staff for its London office.

The company consists of a small team providing specialised services to **large UK and International institutional clients.** The research team is responsible for provision of some regular research product and general support to the equity marketing group, but with strong bias towards 'special situation' and corporate finance related business.

Candidates should have either a speciality in a sector of the UK market (preferably Financials, Natural Resources, Industrials or Consumer) or more general analytical experience, probably gained in a broking or fund management environment.

For further information please write with full Curriculum Vitae, quoting reference MFV/200, to: V. Lawrence, Guy Redmayne & Partners, 18 Grosvenor Street, London W1X 9FD.

GRP is the General Recruitment Division of EAL

General Manager

Financial Computer Services

£ neg. package **City**

We are looking for a very special person with exceptional qualities to accept this demanding and highly remunerative appointment. These qualities must include:

- the ability to manage an important business unit and to be competent in preparing, monitoring and achieving business plans;
- an understanding of the computer services industry;
- experience of communicating effectively at Board level, particularly with members of financial institutions;
- a proven track record of managing highly motivated and well qualified technical and professional staff.

Our plc client, a British group operating internationally, is well known in the City and is expanding rapidly. Its clients, worldwide, include some of the most respected names in international banking, finance and stockbroking circles.

You will be expected to progress to UK Board level and be able to contribute in the direction of the company's UK business.

Preferably aged 35–45, you must be highly motivated with an entrepreneurial approach and have the ability to promote the company's products/services.

There are no constraints on salary for the right person.

Please apply, in the strictest confidence, enclosing CV giving details of current salary to D. B. Atkins, Managing Director.

DBA
ASSOCIATES LTD.
Management & Recruitment Consultants
19 Britton Street, London EC1M 5NQ
Tel: (01) 250 0003

EUROPEAN ANALYSTS

Hoare Govett's European department comprises of more than 20 staff servicing clients on an international basis.
To complement our existing research team we are looking to recruit analysts with European experience, or with proven skills in UK equity or credit analysis and at least one foreign language. Applicants should be highly motivated and interested in joining a young and energetic department.
Remuneration will be very competitive.

Candidates should write with full C.V. to Tim Draper,
Head of European Research, Hoare Govett Limited,
Heron House, 319-325 High Holborn, London WC1V 7PB.

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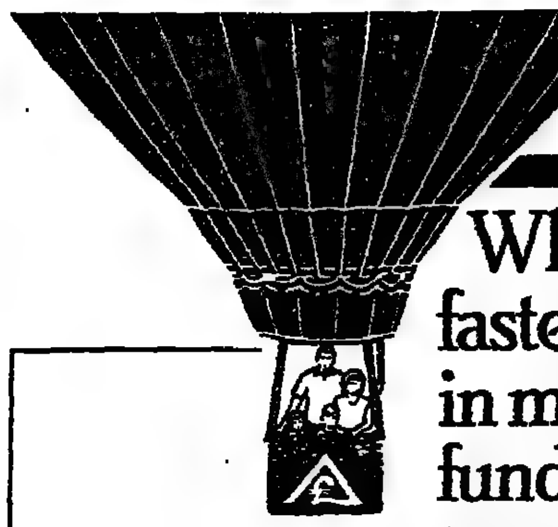

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You'd be joining an organisation that's one of the nation's biggest building societies and a dynamic financial services company — one which is exploiting new opportunities with verve and imagination.

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Our plans to offer an improved Money Market service to corporate and institutional investors will ensure that Nationwide remains a pioneering influence among Building Societies. We're looking for someone with the contacts and the skills to market the products to major investors. This will require a proven record in marketing CD's and Deposits experience, probably gained within a bank. This is a 'greenfield' opportunity — a chance to make your mark in a Number One position.

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—from Junior to Senior

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Closing date for applications 28th January 1987.

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Nationwide
Building Society

INVESTMENT BANKING
HONG KONG

OUR CLIENT is one of the most highly respected United States investment banks. The Hong Kong office is small, successful and expanding.

THE POSITION: Is as a senior member of the investment banking team, with responsiblity for marketing the services of the investment bank throughout the South East Asian region.

QUALIFICATIONS: Candidates will have U.S. domestic and Euro Debt/Equity experience and will have worked on swaps and M & A deals with a leading U.S. investment bank. They will have an excellent academic background, ideally including an MBA or JD.

REWARDS: The compensation offered is exceptional, as are the opportunities for career development.

Replies will be treated in strictest confidence. No replies will be forwarded to our client without the applicant's permission.

Please reply to: Search Resources International,
Ref HK8E1, Chronicle House, 4th Floor,
72-78 Fleet Street, London EC4Y 1HY.

FUND MANAGER

The British Aerospace Pension Fund, which manages nearly £1 billion of equities in the UK, North American and Continental European markets is looking for a Fund Manager to join a small and successful team.

Applicants should have had experience of at least one of the above markets. Preferred age is late 20s.

The successful candidate will have considerable responsibility for a particular area of investment, will be expected to contribute to other areas and will have the opportunity to participate in formulating overall Fund policy within a flexible and pleasant working environment. The position will particularly appeal to those interested in acquiring a broad range of investment experience.

Please apply, enclosing cv, in strict confidence, to:
J. W. Gibbon, Investment Manager,
British Aerospace Pension Fund, 101 Cannon Street,
London EC4N 5AD.

BRITISH AEROSPACE
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WICO

W. I. Carr (Overseas) Limited

STOCKBROKERS

W. I. Carr (Overseas) Limited is an established stockbroking house specialising in Far Eastern securities with offices in most major international financial centres. Recently it became a wholly-owned subsidiary of Banque Indosuez, which has expressed its long-term commitment to the development and expansion of WICO's securities business.

WICO is seeking to recruit salesmen for its London, New York and Zurich offices to market Japanese, Hong Kong, Singapore and Malaysian equities to institutional clients and offers immediate career opportunities to people of the right calibre committed to buildin up and expanding a specialised stockbroking business, supported by Far East-based research teams.

Ideal candidates should possess ambition, drive and the ability to communicate effectively. Relevant experience in Far Eastern markets is necessary for enior positions, and will be rewarded accordingly, but opportunities also exist for suitable candidates from outside the securities industry or without relevant Far Eastern experience.

Please reply in confidence, enclosing a curriculum vitae and photograph, to:

The Chief Executive
W. I. CARR (OVERSEAS) LIMITED
1 London Bridge, London SE1 9TJ

Unit Trusts

Senior Registration Manager

Essex **c£20,000**

Our client is a leading unit trust management company.

The requirement is to supervise a growing department of more than 40 people, employing advanced computer systems and client enquiry facilities, whilst ensuring the maintenance of high standards of service to investors and intermediaries.

In your 30's and preferably professionally qualified, you must have relevant experience acquired with a unit trust, stockbroker or company registrar.

Of prime importance will be your ability to manage, obtaining the best possible results from others through professional techniques, diplomacy and tact.

This is a career appointment offering excellent future prospects. Benefits include mortgage assistance, private health cover, an excellent pension and a range of employee share schemes providing the opportunity for substantial capital growth.

To apply, please telephone or write to Fiona Law quoting reference 9984.

Lloyd Chapman Associates
International Search and Selection
160 New Bond Street, London W1Y 0HR.
Telephone: 01-499 7761

ADVENT

Applications are invited for positions in this leading venture capital company

Successful candidates will be under 30, hold a degree together with accountancy, legal or business qualifications, or be able to demonstrate proven experience in a Merchant Bank or Venture Capital operation.

A keen interest in entrepreneurial business is essential.

Salary negotiable.

All applications in writing to:
Director of Personnel
ADVENT LTD
25 Buckingham Gate, London SW1E 6LD

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ASSISTANT DIRECTOR ACADEMIC DEVELOPMENT

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Responsible for all public relations with the press, media, community, industry and the professions plus development of international links.

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If one of these posts attracts you and you have the imagination, commitment and appropriate experience to make a major contribution at this level then we look forward to hearing from you.

Further details and application forms are available from the Head of Personnel, South Bank Polytechnic, Borough Road, London SE1 0AA or by telephoning 01-928 3512 (answering service 9.00am to 6.00pm).
Closing date: Friday 6th February 1987.

We are determined to achieve equality of opportunity in employment, we therefore positively welcome applications from women, members of ethnic minorities and people with disabilities.

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Teaching for tomorrow in the heart of London

Investment Marketing Executive

Our client, a major life insurance company with an enviable reputation for investment expertise, has a large and growing number of funds under management. The Marketing Executive will join a well established investment team controlling substantial pension fund assets.

This appointment will involve visits to existing clients, liaison with professional intermediaries, presentations to prospective clients, preparation of reports, and contribution to the continued development of investment and marketing policy. Based in Edinburgh, the post will require travel throughout the UK.

Education to degree and/or professional qualification level is essential and candidates must have an investment background, perhaps gained in pension fund management or stockbroking. Age indicator 25 to 35.

The remuneration package is open for discussion and will include relocation assistance where appropriate.

Please send a full CV — in confidence — to Michael Lawrence. Quote reference: B/67593.

MSL International, 39 St. Vincent Place, Glasgow G1 2ER

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Jonathan Wren

SYDNEY LONDON HONG KONG

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c£100,000 + Bonus + Benefits

We have two marketing vacancies for highly ambitious and motivated investment or merchant bankers. Candidates must be able to clearly demonstrate considerable success to date in the obtaining of mandates/marketing of debt and equity instruments, M & A and capital markets products, with major UK companies/multinationals. In addition to the base salary a reward orientated bonus will also be applicable as will a banking benefits package. Please contact Brian Gooch or Karyn Rutherford.

MANAGER – INTERNATIONAL SETTLEMENTS

to £40,000 + Benefits

An outstanding opportunity has arisen for an ambitious individual to head the international securities division of a major American investment house. The successful candidate will have good technical knowledge of the UK and foreign equity markets, proven management skills, and the ability to control and motivate the settlements area and liaise with the trading area. Please contact Ann Winder.

ASSISTANT HEAD OF UK EQUITY RESEARCH

c£25,000

A major investment management company is seeking to recruit a senior analyst to be responsible for the day-to-day running of a large research team. Applicants should have about 3 years research experience, gained either with a stockbroker or investment house, and will be able to demonstrate the requisite management skills. The preferred age range is 27-40. Please contact Roger Steare.

JUNIOR BOND PORTFOLIO MANAGER

to £20,000

A major opportunity has arisen for a numerate team player with some experience of bond portfolio management or alternatively, bond sales or trading. The successful applicant will join a small team managing a $600M multi-currency bond portfolio and will have the facilities to develop their knowledge and skills to a high level. A science degree and 'A' level Maths are essential academic qualifications, and candidates are likely to be aged in the mid 20's. Please contact Roger Steare.

Jonathan Wren
Recruitment Consultants
No.1 New Street, (off Bishopsgate), London EC2M 4TP.
Telephone: 01-623 1266

Bullion Traders

The London Branch of The First National Bank of Boston, a major U.S. bank, is in the process of establishing a U.K. bullion trading operation.

This is a new venture, being built to complement the activities of our sister company - The Rhode Island Hospital Trust National Bank - which for many years has been pre-eminent in the North American physical bullion markets.

Bank of Boston intends to become a fully-fledged market-maker in gold and silver and is seeking two additional people to help realise its plans:

Senior Bullion Trader

You will need extensive knowledge of all aspects of bullion trading since you will be responsible for running the gold book and for supervising other trading staff. You will also be expected to deputise for the Trading Manager, whenever necessary, and to assist with the training of dealing room personnel. A competent team leader, capable of working under pressure, you will have had some 5 years' experience in a major bullion house.

Bullion Trader

Besides having to assist the Senior Bullion Trader with the day-to-day running of the trading desk, you will have specific responsibility for the silver book. You should have had at least 2 years' experience of trading in a commodities market and be willing to learn new concepts and have the ability to work in a team environment.

In addition to highly attractive remuneration packages, we are offering the chance to become involved in a significant business undertaking. If you have the expertise we need and would like the opportunity to further your career, please send a detailed CV to John Watkinson, Assistant Vice President, Personnel Department, The First National Bank of Boston, 5 Cheapside, London EC2P 2DE.

1784

BANK OF BOSTON

UNIT TRUST MARKETING MANAGER

Ætna Life Insurance Company Ltd is the UK arm of Ætna Life & Casualty — the world's largest publicly quoted insurance group.

Formed in 1984 we commenced trading in March 1985 and have quickly established a reputation for innovative products and effective marketing.

We are looking for a highly motivated individual capable of driving the development and promotion of our range of unit trust products. (This is an established range operating under the Tyndall name and currently consisting of 19 funds).

You will be required to research the needs of the sales force and customers and to liaise with the Technical and Investment Departments regarding the specification of new products and services. You will also brief Marketing Services on the creation of suitable literature and sales support material and you will be responsible for planning and implementing launches. Central to your work will be the creation of the definitive sales message of your products and the promotion of this message both internally and to our customers.

The benefit package includes a competitive salary, company car, mortgage subsidy, BUPA and a non-contributory pension scheme.

If you would like to know more, please telephone John Hunter on (01) 833 1256 or write to him with your CV at the address below.

Ætna

Ætna Life Insurance Company Limited, 401 St John Street, London EC1V 4QE
Telephone: 01-837 6494 Telex: 27797

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CONFIDENTIAL INVOICE DISCOUNTING

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Excellent Financial Package

Executive Car – Fringe benefits

LOCATION: HEAD OFFICE, WALLINGTON SURREY

We are the UK subsidiary of COMPAGNIE BANCAIRE and the vehicle for their expansion in the UK following their recent acquisition. We have purpose and ambition backed by the commitment and strength of our French parent, one of Europe's leading Financial Services groups with assets over £10 billion.

A well qualified, experienced Marketing professional will play a vital role in our future and find ample space for personal fulfilment. With a breadth of management experience, adaptive, creative and restless for fresh challenges, the applicant will be equipped for this outstanding opportunity.

Our market is vast and we have the financial strength to attack it.

Our Chairman J. L. Schoedinger is handling this appointment.

Head Office: UCB Group, UCB House, Railway Approach, Wallington, Surrey SM6 0DY
Tel: 01-773 3279/3280

Channel your Investment expertise into a Marketing career...

Marketing Executive · c. £16K + Benefits · Central London

In a mere 18 months Prudential Unit Trust Managers Limited have risen to the highest echelons of this dynamic field. We're building on this success by launching further unit trusts and also moving into the area of Personal Equity Plans.

Understandably we're expanding the teams in every support department – including Marketing. The role of the Marketing Executive, the post we're now seeking to fill, is to support our sales and marketing effort by providing investment advice and information.

This will involve close liaison with our Fund Managers on investment strategies and general performance factors. You will marshall a constant flow of investment information into regular high quality investment publications. Your expertise will also be available to answer questions from clients and intermediaries either directly or by correspondence.

In short, you will have well developed written and verbal skills, along with a flair for interpretation and presentation of information.

Ideally, but not essentially, a graduate, you must have spent at least four years within an investment organization handling private client portfolios.

If you have the talent, we can promise an outstanding future from day one. The position is based in Central London and the rewards will include a salary up to £16K, non-contributory pension scheme and a subsidised mortgage after the qualifying period.

Please write with your cv to:
Rosanne Cole, Personnel Officer,
Prudential Unit Trust Managers,
Valentines House,
51-69 Ilford Hill,
Ilford IG1 2DL.

PRUDENTIAL
Prudential Unit Trust Managers Limited

Chief Executive

New Ireland Assurance Company plc

This important position becomes vacant due to the retirement of the present Managing Director.

The Company is one of the largest life organisations in Ireland with some 1,000 employees and assets in excess of IRE265m.

The role requires a record of sustained achievement and excellence as a top level executive in the financial services sector, ideally life assurance.

The reward and benefits package, which is for discussion, should not be a limiting factor. Location Dublin.

Those interested should please write – in confidence – to H.W.J. Flannery, ref. B.83462.

MSL International, 49 Upper Mount Street, Dublin.

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BUTLER SECURITIES

Member of The Stock Exchange

Due to rapid and continuing expansion we are looking for key personnel in the following areas:

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Applicants should have several years' experience as a broker/principal in UK gilt and fixed interest markets.

GILT DEALERS

Applicants should have several years' experience dealing in shorts/longs or fixed interest markets.

MONEYBROKER (Building Societies)

The successful applicant will have had several years' experience broking/dealing in both cash and negotiable instruments.

BUTLER SECURITIES offers an excellent career and a competitive salary.

Please write enclosing CV to
Pat Turnbull, Butler Securities Limited,
8th Floor, Adelaide House,
London Bridge,
London EC4R 9HN

UK Institutional Sales

Merrill Lynch require additional top quality sales people to expand our sales unit based in London.

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday January 14 1987

Boliden to quit German venture

By Sara Webb, Stockholm Correspondent

BOLIDEN, the Swedish metals, chemicals and mining group, is to pull out of its lead smelting joint venture with Preussag in West Germany by the end of this year because it does not want to invest in a new smelter which would not meet environmental requirements.

Preussag and Boliden each have a 50 per cent share in Preussag-Boliden-Blei (PBB) which produces lead and lead alloys, chiefly for the West German automotive market.

Boliden says it does not plan to renew its 15-year-old agreement at the end of the year and is looking for a buyer.

"If we cannot find a new partner for PBB, we will have to write off the cost," Mr Kjell Nilsson, Boliden's managing director, said.

Under new legislation, PBB would have to reduce sulphur dioxide emissions from the smelter at Nordenham, West Germany, by 1991.

Boliden estimates that it would cost DM 20m to DM 30m ($10.5m to $15.8m) to improve the existing smelter, with additional operating costs amounting to DM 5m a year.

Preussag wants to invest in a new smelter ready for production in 1991, which would cost about DM 200m. "We cannot justify that investment," Mr Nilsson said.

Boliden has faced tough times recently and made record losses of SKr 987m ($147m) in the first nine months of 1986. The new management has introduced cost-cutting and hopes 1987 profits will reach SKr 250m.

The group's lead mines in Sweden – which produce about 70,000 tonnes of lead concentrate a year – and its smelter at Roennskaer supply PBB with 50 per cent of its raw materials.

Boliden wants to continue to supply PBB with lead concentrate and crude lead after the joint venture ends.

PBB produces 120,000 tonnes of lead and lead alloys a year. It has sales of SKr 700m, and losses for 1986 are expected to be SKr 10m to SKr 15m.

Deutsche Babcock to raise DM 300m through rights issue

BY ANDREW FISHER IN FRANKFURT

DEUTSCHE BABCOCK, the West German heavy engineering group, plans to raise between DM 200m ($105m) and DM 300m through a rights issue in April.

The company said group profits had improved further in the financial year to September 30, 1986, for which a maintained dividend of DM 3 per ordinary share was being proposed.

Babcock, which is 25 per cent owned by Iran, gave no details of the proposed share issue beyond saying that nominal capital would be raised by DM 100m to DM 350m.

But analysts said the steadiness of the share price in the past two days, when other export-oriented stocks have fallen after the latest D-Mark revaluation, had given the market notice of Babcock's intentions.

The group's last rights issue was in 1978. Since then, Babcock has suffered from problems with its Middle Eastern business, especially in Saudi Arabia. It resumed dividends two years ago after a two-year gap. Group net profits in 1984-85 totalled DM 32.1m compared with DM 28.1m the previous year.

The terms of the rights issue are expected to be two new shares for five existing ones. Yesterday, the shares closed DM 5 higher at DM 211. German rights issues are usually made at a big discount, suggesting the price could be between DM 100 and DM 150, the price of the last rights issue.

The group's order inflow last year was 5.2 per cent lower at DM 4.8bn, partly because of the lower dollar and partly because of its withdrawal from construction and trading.

At the end of September, the order backlog stood at DM 7.4bn, a decline of 6.6 per cent over the previous year. Babcock said its liquid reserves rose during the year from DM 186m to DM 594m.

West Point-Pepperell continues recovery

BY OUR FINANCIAL STAFF

WEST POINT-PEPPERELL, the big US textiles and carpets producer which bought Cluett, Peabody last year for $383m, boosted first-quarter net income from $11.5m, or $1.11 a share, to $20.9m or $1.43, reflecting a broad based improvement in profits.

The rise continues West Point's recent earnings recovery, and came on sales which rose from $332.1m to $499.6m. However, this increase was more than accounted for by the addition of $193m in sales of Cluett, a big producer of branded and private label apparel.

Mr J. L. Lanier, chairman, said the profit rise reflected "greatly improved performance in apparel fabrics, much better margins in bed and bath lines on a modest sales increase, and a sharp turnaround in the profitability of industrial fabrics. In addition, the apparel segment (Cluett) added $2.9m to net income."

Mr Lanier said Cluett's contribution to net income for the quarter came mainly from the shirt and hosiery groups. Performance in other lines was less robust, reflecting softer retail demand, especially in tailored clothing and children's wear.

A weak spot was carpets, where profits are running 50 per cent below the levels of last year, due to lower volumes and tough competition. The company hopes its recent acquisition of Stratton Industries will solidify its position in commercial carpets.

Owens Illinois cautions on new bid

By James Buchan in New York

OWENS-ILLINOIS, the largest US glass container manufacturer, yesterday responded cautiously to a revised offer of $60 a share, or $3.6bn, from Kohlberg Kravis Roberts, the Wall Street investment firm specialising in leveraged buy-outs.

Owens-Illinois, a diversified packaging company with interests in health care and financial services, rejected an earlier Kohlberg offer to buy shareholders out at $55 a share and announced its own restructuring plan on Monday.

The company said yesterday it would hold in abeyance its own plan, which involves large-scale asset disposals and the repurchase of up to a third of its equity, until it had considered the new offer from Kohlberg.

Kohlberg, which masterminded the $6.2bn buy-out of Beatrice, the diversified food products group, last year, usually prefers to work with management in taking a company private. Kohlberg insisted its offer remained friendly and that it would adhere to an agreement not to buy Owens-Illinois securities until the end of 1989.

But in a marked hardening of its attitude, Kohlberg said that management investment was no longer a condition of the offer. Owens-Illinois' share price, which fell sharply after Monday's rejection by the company's board, recovered $3½ to $54⅝ in early trading yesterday.

The new offer consists of $48.50 per share in cash and junior securities which Kohlberg said were worth $11.50 a share. Some analysts believe this offer is more valuable to shareholders than the management restructuring plan, which foresees the disposal of about $1bn in assets, primarily timberlands and corrugated box plants, the repurchase of up to 20m shares and new operational cost controls expected to save $30m a year.

The company, which earned $156m or $2.62 a share on $3.67bn of revenues in 1985, said it expects to earn $2.90-2.95 a share in 1986 and $4 a share before extraordinary charges in 1987. Management is seeking to raise per-share earnings by 12 per cent compound to 1991.

Alcatel keeps two lines of attack

BY TERRY DODSWORTH

IF SIZE and market presence were the only factors which counted in the European telecommunications industry, the new Alcatel group would be sailing into the balmy waters of assured success. The company is unquestionably big – the biggest on some counts – and it will have a commanding position in Western Europe, one of the world's key markets. But size alone, say sceptics, may not be enough.

The prediction of imminent shipwreck boil down to one issue: can a group assembled from two quite different companies overcome its cultural and product differences quickly enough to weld itself into an effective fighting force? In the battle for survival in the European telecommunications business, Alcatel is the outcome of a pre-emptive strike to try and secure an unassailable market position.

But it will be a challenging management task to bring together an essentially nationally-based organisation – the telephone interests of Compagnie Générale d'Electricité (CGE) of France – with the American-run ITT activities in Europe.

CGE's response to the sceptics as follows:

Products: Alcatel says it will take a gradualist approach to product development. There was speculation before the merger was completed that the group would try to cut costs by concentrating on just one of its two digital switches. Mr Pierre Suard, chief executive of Alcatel, has rejected this strategy in favour of supporting both switches, the E10, inherited from the French company, and ITT's System 12, probably, he said recently, for the next 10 years. The group apparently aims to assure customers that none will be left high and dry with an outdated product.

Mr Suard also rejected the view that System 12 is flawed and would never work as well as its competitors. The installation rate for the ITT switch, he said, was running at 2m lines a year, and the equipment had successfully passed the difficult Bundespost approval procedures.

This alone will not be enough to stop underlying suspicions over System 12, particularly in view of ITT's decision to reduce its commitment to the market. But the figures show the switch is at least capable of holding many of ITT's traditional customers, there are now 14m lines of System 12 either installed or on order, and the installation rate is higher than the 1.7m a year for the Alcatel digital switch.

Alcatel also says that while its digital switch may prove to be the key to its future, this part of the business accounts for only about 21 per cent of sales. It has a strong position in several other markets.

The group's cable business for example, a combination of ITT's activities and a 65 per cent stake in Cables de Lyon, will have sales of $1.5bn, and is claimed to be the largest manufacturer of telecommunications cable in the world.

The group will be a leading maker of screen and videotext terminals one of the leading world facsimile machine manufacturers, and a major producer of private telephone exchanges.

Management: With 150,000 employees, Alcatel's size alone will makes it a hard company to manage. But the management will also be faced with the complexities of blending a French operational style with the American-bred traditions of ITT.

How will it co-ordinate product lines and research? Can it overcome nationalistic rivalries – one of the difficulties, it is said, in controlling ITT's European ventures? How will it handle the hot potato of redundancies?

Alcatel has so far set out two broad responses to these issues. First, the company will be clearly led by the CGE wing of the enterprise. The choice of the name Alcatel, derived from the telecommunications subsidiary of the combined group, is indicative of this unambiguous approach; equally, Mr Rand Araskog, chairman of ITT, has said firmly that one side has to be in control. Thus a fair number of the senior operational managers in the group are being brought in from CGE.

Second, group organisation will be decentralised, allowing the operational divisions considerable autonomy, a structure employed by CGE.

In the Brussels headquarters will be a management committee in charge of staff functions, such as planning, finance and research and development. Reporting to the committee will be six product group managers in charge of business systems, public networks, cables, transmission, consumer products and outside line plant.

The trickiest area concerns public telephone exchange equipment, where the opportunities for rationalisation are numerous, but where customers have huge investments already tied to each company's products.

For the time being, each product line will be run separately by their existing teams, helping to retain customer loyalty at the expense of savings that could accrue from more radical restructuring. Marketing, however, will be co-ordinated by the product group manager, who will decide which markets each company should attack. At the same time, research and development will be co-ordinated, so that the next generation of equipment can be melded into a common prod-

Decentralisation may also help take the nationalistic sting out of redundancies, by leaving employment decisions to the divisions. Estimates of potential cuts of between 15,000 and 25,000 jobs are being bandied about the group's headquarters, and officials concede that some cuts will be necessary.

Finance: Alcatel has not yet drawn up pro forma figures, but says sales this year will rise to about $13bn from $12bn in 1986, and that profits will be in the region of $260m. Although conceding that the margin on sales, at 2 per cent, is slim Alcatel claims it is only slightly under the figures achieved by Siemens of West Germany on its telecommunications activities.

According to Mr Philippe Gluntz, chief operating officer, just over half of the combined sales of the group ($7bn) will come from the ITT operations. Both switching operations are just in profit, with ITT making its contribution from its older, analogue equipment rather than the new System 12 product line.

On the balance sheet side, Mr Gluntz says that for now the group should have no problem financing itself from its own resources. The immediate claim on its resources will be to repay $350m worth of debt owed to ITT, which is also receiving $902m in cash from the transaction, and which will leave another $800m worth of its debt within the new Alcatel.

The $350m will be repaid by raising new borrowings, but with the main development work on the new switches completed, cash flow is expected to be strong for the next few years, and should provide the resources for day-to-day requirements.

Alcatel is even considering a public quotation within two or three years, although that will depend on profitability and CGE's projected privatisation.

ALCATEL

Capital:	CGE	55.6%
	ITT	37.0%
	Société Générale de Belgique	5.7%
	Credit Lyonnais	1.7%
Employees:		150,000
Sales 1986 (1987 est)		$12bn ($13bn)
Geographic breakdown of sales:	Europe	87%
	America	9%
	Rest of world	4%
Activities:	Public network telecommunications products	45%
	Business communications, computer services and software	30%
	Other	25%

Public telephone exchange equipment: On order 37m digital lines. In service: 17m digital lines

Continental moves to big league

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT IN LONDON

CONTINENTAL AIRLINES of the US, which is owned by Mr Frank Lorenzo's Texas Air Corporation, will become the third-largest airline in the US after American and United from February 1 when it finally absorbs the operations of People Express and New York Air.

The takeover was announced some time ago. Texas Air also owns Eastern Air Lines, but that company will continue to operate under its own name.

The merger will immediately mean a big increase in Continental's transatlantic operations, with an application for a route from Newark, New Jersey, to Paris, from April 15, and increased flights on the existing People Express Newark to Gatwick route.

An introductory two-for-one fare will be offered in first class and business class on the later route.

Continental flies between London and Houston, Texas, and is due to start London Denver flights this summer. It will start flights to Ottawa and Montreal and expand US domestic operations.

The takeover of People Express and New York Air means Continental will have 312 aircraft serving 109 US airports and 32 international destinations in the UK, Mexico, Canada, the South Pacific and Japan. It will employ 24,000.

System-wide, Continental will operate about 1,500 flights daily, with major US hubs at Denver, Houston, Newark and Washington's Dulles International airport. Until now Newark has been the hub for People Express Dulles; has been the main operating base for New York Air.

Mr Lorenzo, Texas Air and Continental Chairman, said the merger was "the best news for consumers since deregulation. Now, more than ever, Continental remained committed to assuring consumers of the lowest fares possible for a full-service product.

Mr. Tom Plaskett, Continental's president and chief executive officer, said that, "while the industry may have fewer carriers in number, the ones that survive will be larger and stronger, like Continental.

"The big carriers will be going at each other head-to-head, hub-to-hub, all across the country, and that means that service and price competition will continue to be a way of life."

Mr Richard Havers, Continental's regional vice president, Europe, said: "Passengers used to travelling with People Express between London and New York will find that Continental is like-minded in terms of offering the most competitive fares in the market place."

Continental's low-fare transatlantic operations would increase comfort in economy class, by reducing the number of seats to give a between-seat distance of 36 inches, the longest on the North Atlantic in that class.

In addition to Eastern, People Express and New York Air, Texas Air owns Rocky Mountain Airways.

Sharp fall in Mellon earnings

By William Hall in New York

MELLON BANK Corporation, the Pittsburgh-based banking group whose performance has been lacklustre in recent years, yesterday upset Wall Street by reporting a sharp drop in fourth-quarter earnings because of the need to strengthen its loan loss reserves.

The group estimated that its earnings in the fourth quarter would be $16m, or $0.42 a share, compared with $45m, or $1.57, in the same period of the previous year. For the full year, Mellon earned $183m, or $6.20 per share, compared with $202m, or $7.13, the year before.

Although Mellon has grown rapidly in recent years following the 1983 acquisition of the Girard company, its earnings performance has been erratic and the group earned no more in 1986 than it did in 1983. Its performance contrasts with other regional banks, such as the Atlanta-based Suntrust Bank which yesterday reported a 13.2 per cent rise in 1986 net income to $245.1m and smaller money centre banks, like the New York-based Irving Bank Corporation, which yesterday announced a 10.5 per cent rise in its 1986 net income to $128.1m.

On Wall Street, Mellon's shares fell by $⅞ to $54⅞ in early trading yesterday. Mr J. David Barnes, Mellon's chief executive, said that the fourth-quarter results reflect "management actions to further strengthen loan loss reserves and realign the corporation's international banking activities."

These decisions resulted in sharply higher provision for possible credit losses and non-recurring international charges.

The fourth-quarter provision of $98m includes $43m to increase Mellon's reserve for possible credit losses and $55m of net credit losses, mainly on domestic commercial loans. The action has boosted the group's reserve for credit losses to $494m at end-December, or 2.1 per cent of total loans.

Non-performing loans totalled $928m or 3.94 per cent of the total, at end December 1986. Property acquired in connection with loan settlements totalled $178m.

The fourth quarter figures include a $9m charge to cover the realignment of Mellon's international banking activities.

Leyland Bus sold for £4m to consortium

By Kenneth Gooding

A CONSORTIUM of management and banks yesterday paid £4m cash to buy Leyland Bus from Rover Group, the state-owned vehicle maker.

The deal differed substantially from the plan announced last year for the consortium to pay £11.7m for a package which would have also included a one-third shareholding in Leyland Parts, Rover's truck and bus spare parts distribution business.

Instead, it has been mutually agreed that Leyland Parts will remain with Leyland Trucks, though it has contracted to continue to distribute parts for Leyland Bus.

The 1,250 remaining employees of Leyland Bus will be offered 16.1 per cent of the issued capital.

The employee share package will be put together without the help of Unity Trust, the trade union bank, which had been expected to be involved.

The consortium, including Bankers Trust as lead bank and the Bank of Scotland, now own 72 per cent of Leyland Bus.

A 12 per cent stake is being held in reserve for other potential shareholders,

Air Canada 'ready for privatisation this year'

BY ROBERT GIBBENS IN MONTREAL

AIR CANADA is ready to commit itself to private-sector ownership later this year and to issue stock in 1988, according to Mr Claude Taylor, the national airline's chairman.

The Government of Mr Brian Mulroney, Prime Minister, is committed to privatising Air Canada, a state-owned corporation, following changes in transporting legislation that does away with most of the regulatory role of the Canadian Transport Commission. Air Canada's management has been conducting studies for the past six months on privatisation methods.

Mr Taylor said the Government might commit itself to the privatisation of Petro-Canada, the national oil company, later this year. Once this is done, taking Air Canada public should follow. Whether Petro-Canada can be sold to the public before the next general election, expected in 1988, is not clear.

Air Canada will make a major restructuring of its capital, and some existing debt will be converted to equity. Mr Taylor said the method of privatisation will broadly follow that chosen for British Airways. The Government has said it will not inject any more capital into Air Canada before privatisation.

Mr Taylor said Air Canada has already cut costs and improved efficiency significantly, helping it to benefit from strong international traffic in the last half of 1986. The corporation's third-quarter profit was C$56.8m ($41.4) and C$13.7m for the nine months.

● Onex, one of Canada's fastest-growing holding companies, is buying Purolater Courier, the Canadian arm of the US Purolator Courier Corporation, for C$238m. Purolator Canada has been more successful than its US parent and in 1986 had pre-tax profits of C$30m on volume of C$260m. It is the market leader in Canada.

Onex will have annual sales of C$1.3bn after the deal. It already owns an airline meals contractor, a major can manufacturing business and a liquid fertiliser manufacturer in the US.

● The Laurentian group, the Montreal-based financial services company which owns Trident Insurance in Britain, is buying Omega insurance company of Seattle through its publicity quoted holding company. Omega specialises in funeral insurance and has statutory assets of nearly C$20m.

INTL. COMPANIES AND FINANCE

Norsk Hydro warns on results

By Kevin Done, Nordic Correspondent in Stockholm

NORSK HYDRO, Norway's largest publicly quoted company, warned yesterday that its results for 1986 had deteriorated even more than feared as late as October last year.

The energy, chemicals and metals group has been hit hard by the collapse in the oil price as well as weak demand and declining prices in the international fertiliser market, where the group is now the leading producer in Europe.

Its results for the full year will be published in mid-February, but the company said yesterday that it would be "considerably weaker than we expected at the end of the third quarter."

In the first nine months of the year pre-tax profits slumped to NKr 1.49bn ($204m) from NKr 4.8bn a year earlier while in the third quarter alone profits collapsed to only NKr 165m from NKr 1.085bn a year earlier.

Mr Finn Hvistendahl, finance director, said yesterday: "In the last half-year fertiliser sales in Europe have been very disappointing, and this had led to losses in several countries."

Italian investor bids for Europrogramme

BY ALAN FRIEDMAN IN MILAN

MR RENATO BOCCHI, a Rome-based property investor, last night appeared set to take control of Europrogramme, the Lugano-based property unit trust which was founded by Mr Orazio Bagnasco, the Italian property developer who resigned last year from the fund amid allegations of impropriety.

Mr Bocchi has concluded a deal with Ifi-Interfininvest, the Lugano company which manages the L700bn ($524m) of property assets in Italy.

Under the arrangement, which requires the approval of the Italian Treasury, Mr Bocchi is to pay L4bn for an option to take over Europrogramme assets during the next six months.

Mr Bocchi plans to offer Europrogramme's long-suffering 75,000 shareholders the right to convert their certificates into shares in Pacchetti, his own holding company which is quoted on the Milan bourse.

Each Europrogramme saver who opts for the solution will receive the equivalent value in Pacchetti shares.

Mr Bocchi would then give Ifi-Interfininvest at least 50 per cent of the original unquoted certificates in Europrogramme as payment, with a promise to pay the balance in cash within the next five years.

The Swiss authorities have decreed that the unquoted Europrogramme certificates must be redeemed within five years. This arrangement would allow Mr Bocchi, who also owns the Lazio football team in Rome, to take effective control of Europrogramme without making any initial cash payment.

The Bocchi deal has been organised by Sige, the merchant banking arm of the state-owned IMI medium-term corporate finance institute.

Europrogramme was hit three years ago by the slump in Italy's property market, and the value of the fund (and the share certificates in turn) dropped by 30 per cent, from L1,000bn to L700bn.

Shareholders in Europrogramme demanded redemptions, and when Mr Bagnasco refused because he did not have sufficient liquidity, many started legal actions, which included investigations of Mr Bagnasco in Milan and Lugano.

Mr Bagnasco resigned last year from Europrogramme and sold off his Ciga luxury hotel chain in Italy to the Aga Khan.

GM sells bus-making division to Greyhound

By Our New York Staff

GENERAL MOTORS has agreed to sell its bus manufacturing operations to Greyhound Corporation, the Phoenix-based financial and manufacturing conglomerate.

The GM bus divisions, which employ about 900 workers in the US and Canada, are among the leading American manufacturers of municipal public transport buses. Greyhound, which recently announced that it was divesting itself of its best-known subsidiary, the Greyhound Bus Lines inter-city transport operation, is the biggest US manufacturer of long-distance buses.

The deal with GM implies that Greyhound plans to stay in the bus manufacturing business, despite the loss of the captive market provided by the Bus Lines. It also underlines the highly pragmatic strategy of Mr John Teets, Greyhound's chairman, who decided to pull out of long-distance transport when the Amalgamated Transit Union rejected his demand for sweeping wage concessions.

Mr Teets last month sold the Bus Lines for $350m to Mr Fred Currey, a Dallas businessman, who has since announced plans to expand the bus network by hiring non-union labour and is expected to remain a major customer for Greyhound's bus manufacturing operation.

For GM, the sale of the bus business results from a decision announced last summer to pull out of heavy truck and bus building. At the time, GM said that its heavy truck and bus operations accounted for a small proportion of its revenues and profits, but no further financial details of the transaction with Greyhound were available.

International Paper lifts earnings to $113m

BY JAMES BUCHAN IN NEW YORK

INTERNATIONAL PAPER, the world's largest paper maker, yesterday reported a sharp increase in fourth-quarter earnings from $44m to $113m. Revenues rose 73 per cent to $1.9bn in the quarter, but these included about $800m in sales from a new premium paper subsidiary, Hammermill Paper.

US paper companies have experienced a dramatic improvement in profitability over the past nine months because of a stronger market, a weaker dollar and cost reductions. International Paper's pre-interest earnings for the fourth quarter grew almost eight-fold, from $22m to $162m.

But foreshadowing what is bound to be a confusing reporting season, International Paper's quarterly earnings of $2.13 a share, as against 77 cents a share in 1985, are distorted by a number of non-recurring gains and charges. These led to a net pre-tax gain of $53m against $44m in 1985.

The latest quarterly results include a net $10m pre-tax gain on the sale of International Paper's New York headquarters, an $11m pre-tax increase from a change in pension accounting and a $20m charge to recognise changes in income tax liability as a result of the new tax reform act.

Last year's results were depressed by a $12m provision for plant closures.

In addition, International Paper took a pre-tax gain of $32m on the sale of units in a timberlands limited partnership, as against $50m in 1985.

Earnings for the full year were $305m, or $5.79 a share, on sales of $5.5bn, compared with $133m, or $2.16, on sales of $4.5bn.

Mr John Georges, chairman and chief executive of International Paper, said he expected further earnings improvements this year.

"The reduction in the dollar's value has strengthened our export volumes and pricing. The continued growth in the domestic economy has led to excellent demand and improved pricing for most of our major product lines."

A continued programme to reduce costs and lower energy charges also contributed to the 1986 earnings increase.

OCE earnings grow by 9%

OCE, the Dutch copier group, lifted net earnings for the year ended November 1986 by 9 per cent to around Fl 84m ($38.8m).

Sales fell 4 per cent to Fl 1.9bn, mainly due to currency fluctuations. Excluding the exchange rate factor,

Océ's board considers the results "satisfactory." However, it warns that the growth of net profit in 1987 could be lessened by costs involved in new product launches, expansion of US activities and further currency movements.

Union Carbide in move to buy French group

By George Graham in Paris

UNION CARBIDE is to bid for the French industrial gases group Duffour et Igon.

Duffour's shares were suspended at FFr 856 ($135), valuing the company at FFr 114m, after the US group's French subsidiary had announced its intention of making the bid.

The purchase would boost Union Carbide France's turnover by around 25 per cent and nearly triple its activity in the industrial gases sector, where Duffour has embarked on a heavy investment programme.

The French company is expanding the liquid nitrogen and oxygen capacity at Fabriques d'Oxygène du Sud-Ouest Réunies, its joint venture with Air Liquide near Bordeaux.

Consolidated turnover at Duffour reached FFr 385m in 1985,

The main shareholders in Duffour are Irdi Midi-Pyrénées, with 20 per cent, and Sociedad Española de Carburos Metalicos with 15.6 per cent, which together took over in 1984 the stake previously held by Péchiney. Family interests are understood to control another 20 per cent.

INTERNATIONAL CAPITAL MARKETS

Salomon syndicate manager resigns

By Alexander Nicoll, Euromarkets Editor

MS VALERIE THOMPSON, Eurobond syndicate manager at Salomon Brothers International, has surprised the market by deciding to leave the firm after a meteoric career there.

Ms Thompson, 30, resigned for personal reasons and said yesterday that she plans to take six months to consider her future career and to pursue projects, unrelated to the Eurobond market, which she has been considering for some years. "I have no immediate plans to join another firm and I have the highest regard and respect for Salomon," she said.

After joining as a telex operator in London at the age of 16, Ms Thompson rose to head Eurobond trading and was appointed to run new issue syndication last year. Last month, she became a director of Salomon Brothers.

Hers was the second resignation among rising Salomon executives this year. Last week, Mr James Wilmot-Smith, 34, head of interesth rate swaps, left for personal reasons after eight years with the firm. He has also opted to take a break from the markets, and is seeking a role in a smaller company. Like Ms Thompson's, his departure reflected no dissatisfaction on the part of Salomon and no particular grievance on the part of the employee.

Mr Wilmot-Smith yesterday pointed to the rapid expansion at Salomon and change in its corporate style in London. From a partnership with a UK operation of well below a hundred people when he joined, it has become a public company employing nearly 700 in London.

Dollar weakness sparks interest in Ecu issues

BY CLARE PEARSON

EURODOLLAR bonds came renewed pressure as the currency weakened yesterday. Instead, new issue managers concentrated on the currency sectors of the market.

The Ecu sector has been attracting firm demand from Japanese and some Swiss investors recently, although prices of seasoned Ecu issues were on the retreat as the market reassessed the effects of the European Monetary System realignment last weekend. Prices fell by about ¼ point on the day.

Nevertheless, three new Ecu issues emerged. Credit Commercial de France (CCF) lead-managed two of them. The first of its offerings was an Ecu 73m 7¼ per cent five-year bond for Caisse Central de Cooperation Economique (CCCE), the French state agency. The deal was priced at 101⅝.

CCF followed this up with an Ecu 100m eight-year 7½ per cent issue for Sumitomo Finance Asia, guaranteed by Sumitomo Bank. This 101⅝ bond is swapped into floating rate dollars.

Morgan Stanley meanwhile led an Ecu 50m five-year 7¼ per cent bond for Bank Mees en Hope, the Dutch bank. This issue was priced at 100½.

All the issues were quoted at discounts to issue price around the level of their total fees yesterday, although CCCE's bond was quoted at 99⅝ bid, against 1⅞ per cent fees.

Elsewhere, Wood Gundy led a C$100m 10-year 9½ per cent deal for Sears Canada, the Canadian subsidiary of Sears Roebuck, the US retail chain which also owns Dean Witter Reynolds.

The issue sought to take advantage of recent demands for Canadian dollar bonds, fuelled by the firmness of the currency and the higher yields, relative to US dollar bonds, available in the Canadian sector.

But Sears' issue suffered as the Canadian domestic bond market weakened in sympathy with New York, and dealers said in any case it was tightly priced for a relatively long-dated issue. It was quoted at around 98¾ bid, against a 101⅛ issue price. Goldman Sach's recent deal for Ford Credit Canada was also under pressure.

The only dollar deal of the day was a $100m four-year issue for Whirlpool Acceptance Corporation, the finance subsidiary of Whirlpool Corporation, the US home appliances manufacturer. It was Whirlpool's first Eurobond, and dealers feared European investors would not be familiar with the name.

The 7⅞ per cent bond, led by Shearson Lehman Brothers International, was priced at 101⅛ to give a spread over US Treasuries of around 60 basis points at launch.

Hambros Bank led an A$40m deal for Toronto Dominion Bank. The issue followed a crop of nine new Australian dollar issues last week, but Hambros said demand for Australian dollar paper was not yet finished.

The three-year 14½ per cent issue was priced at 101⅛. It was quoted at a discount to issue price of 1⅝ bid, just outside its 1½ per cent fees.

Salomon Brothers International increased its recent issue for CMO Eurotrust 18, an issue of collateralised mortgage obligations, from $100m to $120m.

In the D-Mark market prices were steady in small turnover. The market was hindered by the weaker dollar, putting renewed pressure on the EMS currencies, and the lower US market.

As had been expected, Deutsche Bank led a DM 300m 10-year 6 per cent bond for the European Investment Bank. Dealers said the par-priced bond was in line with the market, and it was quoted at a discount to issue price of 1½ per cent, against 1⅞ per cent fees.

In Switzerland, prices were unchanged in continuing high volume. Voralberger's SFr 100m bond gained a ¼ point in price yesterday to finish at 100¼. Following its SFr 200m public issue on Monday, New Zealand returned to the market yesterday with a SFr 200m note issue.

The six-year issue has a 4⅝ per cent coupon and 100¼ issue price. It is callable after three years at 101½ and then at declining premiums.

Bowater in international offer

BY OUR EUROMARKETS EDITOR

CREDIT SUISSE First Boston yesterday launched international share offerings for Bowater, the US newsprint manufacturer, and Girozentrale, Austria's second large bank.

Bowater, which was demerged from Bowater Industries of the UK in 1984, is issuing 3½m new shares, representing 10½ per cent of the expanded fully diluted equity. Of the total 2¼m are being sold in the US through First Boston and the remainedr internationally.

The shares will be priced before the end of the month—yesterday they were trading at $33⅞—and the proceeds will be used to fund a US acquisition.

GZ Bank, an international commercial bank as well as the central clearer for Austrian savings banks, which until now have wholly owned it, is making its first public equity offering, comprising 2¼m participation certificates, of which all but ½m are being distributed internationally.

Go-ahead seen for Euroyen paper market

By Yoko Shibata in Tokyo

THE MINISTRY of Finance is expected to give the go-ahead for the introduction of a Euroyen commercial paper (CP) market in April. Initially issuers of the Euroyen CP will be limited to non-resident corporations. Japanese corporations will not be allowed to take part in new issues until spring, 1988.

An official of the International Banking bureau of the Ministry of Finance said the long-term Euroyen bond market has achieved satisfactory expansion thanks to the implementation of deregulatory measures last April.

The Ministry believes the restructuring of the Euroyen bond market is almost complete. Euroyen bond issues in 1986 totalled Y2,900bn, rising more than 1.8 times from the previous year.

The MOF's next task is the establishment of medium-term and short-term Euroyen market so as to make the Euroyen market more balanced.

However, the establishment of the market is likely to spark a debate on who is endorsed to underwrite and deal Euroyen CP between the securities houses and banks.

Gulf Air sets up $100m programme

GULF AIR, the government-owned regional carrier, has arranged a commercial paper programme with Gulf International Bank (GIB) totalling $100m, AP-DJ reports from Bahrain.

The move is believed to represent only the second issue of commercial paper by an institution in the Gulf. GIB itself made the first uncommitted Euro-commercial paper issue last year.

Bankers said the paper is being used for cash-management purposes, rather than as a borrowing instrument.

Gulf Air, owned by the governments of Bahrain, Abu Dhabi, Qatar and Oman, has acted to shed more than 300 jobs in an attempt to regain profitability, the airline employs 5,000 people worldwide, and its chief executive, Mr Ali Al-Malki of Qatar, recently put losses in 1985 at 5m Bahrain dinars ($13.3m).

He does not expect a return to profitability until 1988, in spite of the retrenchment efforts.

Officials from Gulf Air or GIB were not immediately available for comment on the commercial paper offering. Bankers said the notes are being issued in $1m and $500,000 denominations, with maturities ranging from one week to one year.

Swedish group to acquire BP offshoot

PLM, the Swedish packaging company, is taking over Etimex Kunstoffwerke of West Germany, a subsidiary of British Petroleum, writes Our Financial Staff.

Etimex, which had a turnover last year of DM 30m, employs 175 at a factory between Hamburg and Hanover.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 13

US DOLLAR STRAIGHTS / OTHER STRAIGHTS / FLOATING RATE NOTES / CONVERTIBLE BONDS / YEN STRAIGHTS

[illegible]						

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of [illegible] mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTL. COMPANIES and FINANCE

Kenneth Gooding on the development spending plans of Japan's largest motor group

Toyota keeps faith with new technology

TOYOTA, Japan's largest automotive group, has no intention of cutting its product development budget—which in 1986 totalled Y200bn ($1.27bn) — in spite of the steep fall in profits brought about by the sharp rise in the value of the yen.

The company has unofficially indicated that its profits for the 1986-87 financial year might drop by as much as 60 per cent. Mr Fumio Agetsuma, director in charge of product development, admits that Toyota must economise, "but in other areas."

He suggests Toyota will attempt to maintain its current policy of completely changing each model in its range every four to six years—"it will be difficult but we will try."

Mr Agetsuma promises: "Every new car will incorporate new technology as well as a new shape. The changes will not simply be cosmetic."

He was introducing the new Toyota Camry, the group's first medium-sized front-wheel-drive model which is being launched in Western European markets today.

Toyota claims the Camry outperforms all two-litre European rivals in every important respect with a top speed of 125 mph, an acceleration from 0 to 60 mph in 9.2 seconds, and

The Camry: top speed of 125 mph and urban fuel consumption of 31.7 mpg

fuel consumption of 31.7 mpg in urban conditions.

Introduction of the new model also represents another move up-market for Toyota in Europe—for example, UK prices range from £10,390 to £11,900—but the group believes it can boost annual sales by 50 per cent compared with the former Camry's performance: from 20,000 units to 30,000 a year.

Competitors include the Mercedes 190, the BMW 520i, the two-litre Ford Granada and Sierra models, the Opel Omega/Vauxhall Carlton and the Rover 820SE, among others.

Toyota spent Y30bn to develop the Camry plus Y35bn for capital equipment to put it into production.

The development cost included the price of a new 126 bhp, 16-valve petrol engine. Mr Agetsuma says the development of multi-valve engines is Toyota's answer to the paradoxical demand for engines with high power output but low fuel consumption.

Toyota introduced its first multi-valve engine in 1982 and today offers 12 types ranging from 1 litre to 3 litres. Last year the company produced more than 1m multi-valve engines compared with 660,000 in 1985, taking cumulative output to more than 2m.

Mr Agetsuma estimates that Toyota's car sales in Europe totalled about 400,000 last year. Shipments to the European Community were held at about 267,000 after protests about the Japanese industry's substantial advances early in 1986. Sales in the Community countries were higher than shipments as stocks were run down.

The Japanese Ministry of International Trade and Industry advised the car producers to hold back shipments in the last quarter of 1986 and the ministry's guidance will be critical when Toyota makes final plans for 1987 sales in the EEC, Mr Agetsuma points out.

He says Toyota is still studying the possibility of setting up an assembly plant in Europe but nothing firm has yet been decided. New facilities are being introduced in the US, Canada and Taiwan and "we must first try our best to make those successful."

Mr Shoichiro Toyoda, Toyota president, said yesterday the group's exports of cars and commercial vehicles are expected to fall from 1.88m units in 1986 to 1.82m this year because of the yen's appreciation against the dollar, tough competition from thed eveloping countries and worsening economic conditions throughout the world, Reuter reports from Tokyo. He said domestic vehicle sales should rise to a record 1.81m this year from the previous peak of1 .75m in 1986. In 1986 exports were 100,000 lower than in 1985.

Magnum claims 60% of DB

MAGNUM, the New Zealand liquor and food group, has reached 60 per cent of the issued capital of Dominion Breweries and has made its offer for DB unconditional, Reuter reports from Wellington.

Magnum, itself recently taken over by Brierley Investments (BIL), said in a statement it had received acceptances from more than 2,500 shareholders. This includes the 51 per cent shareholding in DB with which Brierley began.

The offer, which closes on January 30, is one Magnum share for each DB share.

Magnum said Mr Ron Brierley, BIL chairman, Mr Bruce Hancox deputy chairman and Mr Paul Collins, chief executive, are being invited to join the Magnum board.

Canberra clears Murdoch on citizenship

BY OUR FINANCIAL STAFF

THE AUSTRALIAN Government has decided not to use Mr Rupert Murdoch's US citizenship as grounds to block his A$2.3bn (US$1.58bn) takeover offer for the Herald and Weekly Times media group.

Mr John Dawkins, the acting Federal Treasurer, said yesterday the bid was "not contrary to the national interest under foreign investment policy and therefore it was decided that no objections to it be raised."

The ruling leaves open, however, a legal suit brought by Mr Robert Holmes à Court, whose counter-bid for HWT last week lost the favour of the target company's board after an improvement in the terms offered by Mr Murdoch's News Corporation.

The Victoria Supreme Court yesterday extended an interim injunction granted to J. N. Taylor, Mr Holmes à Court's bid vehicle, ahead of a full hearing next Monday. This prevents Mr Murdoch acquiring more than 15 per cent of HWT—the ceiling for foreign nationals laid down under the country's Broadcasting and Television Act.

Bonus payout from Kirin

KIRIN BREWERY, Japan's largest beer producer, is to make a Y2 bonus dividend for the year which ends this month in order to mark its 80th anniversary, Reuter reports.

Its annual dividend will be Y9.50 in 1986-87 against Y7.50.

A company official also said Kirin had revised its forecast for pre-tax profits in 1986-87 to Y79bn ($501.9m) from an earlier estimated Y77bn.

UIC chief in HK$346m share sale to Lau group

BY STEVEN BUTLER IN SINGAPORE

MR OEI HONG LEONG, chairman of United Industrial Corporation (UIC), the Singapore chemical, property and investment company, is sharply reducing his 48 per cent stake in the company with a sale of 32m shares, roughly 20 per cent of UIC, to China Entertainment and Land Investment Company of Hong Kong.

The shares, sold for HK$345.6m (US$44.3m), are ownedb y Mr Oei's company, Chip Lian Investments, and will be paid for with HK$245.8m in cash, and the balance by 11.38m new shares of China Entertainment at a price of HK$8 per share.

Based on the sale price of the shares, UIC's total worth would be S$478.2m (US$221.4m).

Evergo, a Hong Kong property and investment company, will, as part of the sale agreement, issue 60m new ordinary shares to be sold to Chip Lian at HK$1 per share.

Evergo and China Entertainment are both associated with the Lau family of Hong Kong.

Newman Tonks beats forecast with record £8.3m

RECORD pre-tax profits of £8.27m were achieved by Newman Tonks Group in the year to October 31 1986, thus beating the forecast of £8.15m made at the time of the McKechnie bid. Profits in the previous year were £6.52m.

The cost of fighting off McKechnie Bros' bid was £791,000 and this is shown as an extraordinary item. There was another extraordinary charge of £371,000, which was the closure costs of discontinued activities after tax relief of £76,000 (£170,000).

Turnover of this metal hardware manufacturer rose from £78.56m to £85.38m, and the cost of sales was up from £57.18m to £61m. Other operating expenses totalled £15.26m (£14.03m), and the pre-tax figure was after interest charges little changed at £856,000 (£836,000).

The directors are recommending the forecast final dividend of 4.2p net, which together with the interim of 3p makes a total of 7.2p (5.5p). The record profits represent a return of 28.7 per cent on shareholders' funds of £28.8m at October 31.

The group, as forecast, had a positive cash flow during the year, and net bank borrowings at the year-end amounted to £4.36m, being 15.1 per cent of shareholders' funds.

After the heavier tax charge of £2.89m (£916,000), extraordinary items and dividends, which absorbed £3.2m (£2.3m), retained profits were down from £2.65m to £974,000, and stated earnings per share were 1.201p (10.65p) on a nil distribution basis, and 1.201p (1.295p) on a net basis.

The directors said the current year had started with encouraging order levels in most companies and generally more favourable trading conditons than in the corresponding period of the previous year.

● comment

As the extraordinary account shows, Newman Tonks has had a busy last couple of years, making acquisitions and fending off bids. Over the same period, dividend cover has also slipped from the desired twice times to something close to equalling earnings. So while 1986-87 could see some acquisitions in the UK and US — in both the emphasis will be on lock companies—the highly geared group may be inclined to take a breather in the paper race. The earnings per share record over a 10 year period indicates that work could usefully be done to restore pre-1977-78 levels. This year Rothley Brass (for some time a lossmaker) broke even, door closures did well, and knobs and knockers recovered from some stock control problems. Forecasts for this year have been set at £11m pre-tax, including a £1m contribution from the latest US acquisition, Quality Hardware. The shares at 166p look steady enough on a prospective p/e of 12.

TV South 62% ahead at £14.4m

Television South, which made strong progress during the opening six months of the 1985-86 years, continued to prosper in the second half and for the year as a whole increased its profits from £8.9m to £14.4m pre-tax, an improvement of 62 per cent.

Mr James Gatward, chief executive, said yesterday that it had been a year of incredible growth throughout the industry. However, this was from a poor base in the previous year and he did not expect such a high rate of growth next time.

The year to October 31 1986 saw group advertising revenues rise strongly from £97.7m to £122.4m. The contribution from UK programme sales rose to £9m (£7.5m) but overseas programme sales were little changed at £6.3m (£6.2m) reflecting the inclusion of two major productions in the previous year's figure.

In all, turnover pushed ahead by 24 per cent to £137.7m — the group is ITV contractor for the South and South-East.

Pre-tax profits were struck after deducting programme transmission costs of £77.3m (£68.7m), Channel 4 subscription of £19.5m (£17.5m) and Exchequer levy, which surged from £1.4m to £8.9m.

Other costs included administration expenses of £12.9m (£10.4m) and IBA rental amounting to £7.2m (£6.2m).

Tax accounted for £5.7m (£3.9m) and left net profits £3.7m higher at £8.7m.

Earnings worked through at 32.6p (20.3p) undiluted or at 28.7p (18.1p) fully diluted. A final dividend of 7p (6p) raises the total from 8p to 10p net per 10p share on the capital increased by the £19.3m rights issue of last July.

● comment

Television South surprised even the optimists with its 62 per cent profits increase yesterday and fresh buying outweighed profit-taking to take the shares ahead 5p to 282p, pulling those of other television companies along in their wake. Quite how much TVS can rightly claim credit for the size of its profits growth is debatable: the cynic might argue that, twice blessed by the strength of the recovery in television advertising generally and the company's own position in the prosperous South, it would have struggled to do very much worse. Yesterday's buyers of the stock were undoubtedly moved by the presumption that wherever the credit belonged, the party was far from over. However, last year's 22 per cent growth in net advertising revenue nationwide is expected to fall to 7-8 per cent this year. The proceeds of last year's rights issue and a contribution of around £750,000 from other activities might help take the group to £17m, but after the dilution of the rights, that leaves the earnings per share figure static. The prospective p/e ratio of 10 seems to leave little to go for on present form.

Giltrap extends offer for Gates

GILTRAP HOLDINGS said yesterday that Ford had agreed that it would be acceptable owner of dealerships if it succeeded in its takeover bid for London-based Ford dealer Frank G. Gates.

Giltrap, UK arm of a New Zealand car distributor, said that it controlled 15.1 per cent of Gates and extended its 120p cash or loan notes offer until January 23. Gates said that 60 per cent of its shares, controlled by the Gates family, were committed against the bid.

The statement concerning Ford does not necessarily conflict with Gates' claim that two of four main dealerships would have to be sold. Giltrap said that Ford would allow any disposal to be timed to allow an orderly sale on beneficial terms.

Intermediate to cancel London listing of H & W

BY NIKKI TAIT

Intermediate Securities, the Cayman Islands company headed by former Canadian retailer, Mr Abraham Gold, which is making a £2.7m offer for Howard & Wyndham, announced yesterday that it plans to cancel H & W's London listing as soon as the offer closes.

The offer is being made for the 38.4 per cent of H&W's shares not owned or controlled by Mr Gold, Intermediate or Mr Ralph Fields, H&W's chairman and managing director, who is acting in concert with Mr Gold. Fiduciary Management Services, another Cayman Islands company which owns 26.22 per cent of H&W has already agreed to accept the offer.

Mr Fields will remain as chairman and managing director folowing the offer, and he and Mr Gold will have three nominees on the board. Mr Fields will also stay on as chairman and managing director of Ciro Inc., the American jewellery business in which H&W has an interest.

As a result of his bid for H&W, Mr Gold will gain control of Ciro Inc., and become chairman of its executive committee.

Howard & Yydnham's 28.8 per cent stake in publisher W. H. Allen will not be affected by the offer, according to Intermediate.

Buy-in at Simon attracts few supporters

By Clay Harris

Mr Philip Ling's innovative management "buy-in" effort at Simon Engineering failed to win the backing of a single additional shareholder in the fortnight to Monday.

Tomorrow will be the final opportunity for Valuedale, the company set up to mount the bid, to increase or revise the structure of its offer.

It is thought extremely unlikely that the buy-in structure would be abandoned, although a change in the balance of the bid is possible.

Schroders, advising Valuedale, said yesterday that the offer still had the full support of its original financial backers.

By the third closing date, acceptances received by Valuedale remained stuck at 34,267 shares, 0.06 per cent of the engineer and process-plant contractor's ordinary capital. It owns or controls an additional 0.42 per cent.

Valuedale is offering 130p cash and one of its own shares, valued at 100p by its stockbrokers Hoare Govett, for each Simon share, valuing the company at £173m. Simon shares fell 5p to 318p yesterday.

Under the buy-in structure, Mr Ling and his fellow executive directors, Sir David Nicolson and Mr Norman Ireland, would take over management of Simon immediately.

They and their financial backers would take possession of a 38 per cent stake in Simon only after Valuedale shares rose to 160p.

Taddale Inv in talks with suitor

TADDALE INVESTMENTS, the industrial holding company, announced yesterday that it was discussing with a fully listed public company a possible bid for Taddale.

Sir Monty Finniston, Taddale's chairman, informed the company's annual general meeting yesterday of the bid approach and also said that Taddale would be in the black, without extraordinary items, when its interim results are released.

Taddale, which is traded on the over-the-counter market, made a trading profit of £35,000 in the year to the end of April 1986 but also recorded an extraordinary loss of £1.25m. In the previous year it recorded a trading loss of £2m with a further extraordinary loss of £2m.

The company is facing a claim from Swiss bank, Banque Canton de Geneve, for £1.7m, but Mr Roy Simmons, Taddale managing director, said he was confident that the claim would fail.

He added that an action brought by Mr David Lewin, the former chairman of a company acquired by Taddale, had been settled.

Imry Property completes £100m merger deal

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

Imry Property Holdings and Arbuthnot Properties Holdings are merging their interests into a new company called Imry International which should have a market capitalisation of £100.3m, and be Britain's 15th largest property company.

The terms of the merger were announced yesterday but foreshadowed by an announcement last month that the two companies were in merger talks. They attracted little attention on the market where the Imry price slid 18p to 395p, bringing it closer into alignment with the cash element of the merger arrangements.

Through the merger, Arbuthnot, a private company controlled by Mr Martin Myers, backs into a quoted company, bringing with it extra resources.

The Lee family, which has controlled Imry and run it as a property investment company, is being bought out. Imry International will be more oriented towards development than Imry Property.

The new company will have 25.7m shares in issue. Of these 13.67m are for Imry Property shareholders. But Noble Grossart, acting for Imry International, is offering 390p in cash or loan notes as an alternative. This is being taken up by the Lee family for 95 per cent of its Imry Property shareholding which accounts for 39 per cent of the equity in Imry Property.

The funds to mount this cash alternative are coming from City institutions. But at 390p a share the Imry Property side of the merger is worth £53m.

On the Arbuthnot side, the value of its share capital, already issued and being issued to bring about the merger, in Imry International is £47m. Each Arbuthnot share is being exchanged for 2.89 Imry International shares.

The Arbuthnot shares, however, comprise those that make up the equity of the company, plus a package of new shares worth £20.15m which is being taken up by institutional investors and then exchanged for Imry International shares, plus again a £12m holding of Boots Pensions.

Boots Pensions is selling Arbuthnot a £12m portfolio of properties for shares which are then being exchanged for Imry International shares.

Imry International is forecasting a pre-tax profit for the year ending March 1987 of not less than £2m and they expect the final dividend for that year to be 2p net. In the following financial year the expected dividend is put at 7.5p net.

Meanwhile Imry Property announced that pre-tax profits for the six months to last September were £626,000, an increase of £25,000 on the first half of the previous year. There will be a special interim dividend of 3.7p net.

The net assets of the new company are put at £81.1m, or 315p a share, but the figures are understated because they do not take into account surpluses inherent in the Arbuthnot portfolio.

Poor response to Panfida bid

Panfida Capital, the UK subsidiary of the Sydney-based investment group, yesterday announced that acceptances in its £55m bid for "Investing in Success" Equities totalled 1.5 per cent at the offer's first close.

Before making its bid, Panfida and investors acting in concert with it held 28.7 per cent of the trust's shares. The bid has been extended to January 26.

The board of Investing in Success said yesterday that the low acceptance level was "a suitable response to a thoroughly unacceptable and inadequate offer." Panfida is offering the higher of 850p or 94 per cent of formula asset value in cash or loan notes.

Investing in Success also indicated that it was considering proposals to "provide shareholders with a share price substantially nearer to the net asset value than Panfida's offer."

Unitisation or limiting the life of the company are two of the possibilities it said.

However, as any such proposals would require 75 per cent voting support by shareholders, nothing could be achieved in this direction without Panfida's consent.

According to Morgan Grenfell, advisors to the trust, the latest valuation of the Investing in Success portfolio was 976.4p as of January 9.

NEW LIFE BUSINESS

Royal Life has a record

Royal Life Holdings, the financial services subsidiary of the Royal Insurance Group, achieved record new business results for 1986.

New worldwide premiums, including Royal Heritage Life in its first full year since acquisition, were £413.1m compared to £250.4m in 1985. New annual premiums totalled £84.3m (£69.4m) and single premiums £382.8m (£181m).

In the UK, new annual premiums were up 24 per cent at £74.2m largely reflecting the growth in house purchase business written by Royal Life Insurance. Unit-linked ordinary business expanded to account for over 20 per cent of new annual premiums.

The company said that after the surge of 1985, individual pension annual premiums settled back to £12.9m against which single premiums were up 76 per cent at £285m with most of the increase coming from unit-linked business.

Commenting on the past year Mr Hugo Johnson, managing director of Royal Life Holdings, said: "The results for 1986 were very encouraging especially given the increasingly competitive nature of our markets. The increase in single premium business was particularly noteworthy.

"Our position in the mortgage market where we saw a 56 per cent increase in business was further strengthened by the continued acquisition of holdings in a number of leading estate agents, although they made only a small contribution to the increase in new business written in 1986."

L & G's new business hits £448m

Legal and General, the life and general insurer, has reported worldwide new life assurance and pensions business totalling £448m in 1986, a 23 per cent improvement on the previous year's new business figure.

The increase was achieved in spite of UK tax changes which forced the withdrawal of one of the group's most popular products.

New annual premiums (excluding UK managed and segregated funds) were £141m (£120.3m), while new single premiums rose from £244m in 1985 to £307m last year.

Mr Joe Palmer, L & G's chief executive, said the abolition of capital transfer tax last year had led to the withdrawal of the group's Capital Preservation Plan. In 1985 it accounted for single premiums of £116.6m, but this fell to £27.7m in 1986.

If these figures were excluded, L & G's remaining long-term business products showed last year a 70 per cent jump in new business, Mr Palmer said.

Wheway's £1.4m tops directors forecast

Wheway, the Birmingham-based engineer and forger which has been busy on the takeover front over the past 12 months or so, yesterday revealed that its profits for the 53 weeks to October 4 1986 had risen from a restated £82,000 to £1.45m at the pre-tax level.

Last May, at the time of the proposed offer for D. F. Bevan (Holdings), the directors forecast that profits for the 53 weeks would total £950,000. They are paying shareholders the promised 0.5p dividend, their first payment since 1983.

The directors said that Wheway's markets were now particularly well spread with dependence on its traditional market of mining having been reduced to some 7 per cent of turnover. Manufacturing now accounted for around 51 per cent of turnover.

It was pointed out that opportunities for strong organic growth prevailed in a number of subsidiaries and that additional benefits were expected from the group's continuous programme of reorganisation and development.

● comment

The Wheway which reported pre-tax profits of £1.45m yesterday is a very different one from the Wheway which reported losses for five consecutive years to October 1985. Gone is the West Midlands chain maker heavily reliant on sales to the strike-afflicted National Coal Board: under new management, a diversified group has sprung up which relies on manufacturing for only half its turnover. The acquisition of D. F. Bevan last summer has given the group a substantial third leg — merchanting — to add to its manufacturing and distribution activities and was the main factor in taking the combined group past Wheway's forecast of £950,000 made at the time of the agreed bid. For the current year, rationalisation benefits and organic growth should provide £2m pre-tax even without further acquisitions. After yesterday's ½p fall in the share price to 28½p this produces a prospective p/e ratio of a little over 11 after a tax charge of 30 per cent. At that level the shares are up with events, but the company is earning a wider audience.

Palmerston Inv Tst

Pre-tax profits at Palmerston Investment Trust rose substantially from £5,509 to £77,391 in the six months to September 30 1986, and the interim dividend is doubled to 2p net.

The directors said the improved results were after an increase in rental income only partly due to the purchase in February 1986 of the two properties at Douglas, Isle of Man, and Leyland, Lancashire.

They anticipated that the pattern would continue into the second half, which should lead to an increase in the net profit for the year.

Stated earnings per 25p share were considerably higher at 6.7p (0.47p).

BIDS AND DEALS IN BRIEF

ENGLISH CHINA CLAYS said that it controlled 18.8 per cent of Bryant Holdings after an associate bought an additional 1,006,250 shares at 180p, equal to the ECC's cash offer for the Midlands-based housebuilder and yesterday's unchanged price in the market.

STEWART WRIGHTSON Holdings has completed the acquisition of Major Surplus Holdings Inc following the negotiations announced in November. It has also acquired S. L. Alexander. The consideration for both acquisitions is not expected to exceed $14.75m and is being satisfied in cash.

SECURITY has agreed terms for the acquisition of Jigsaw Joinery, a Chingford, London-based maker of security door systems. Jigsaw's principal customers consist of local authorities and commercial companies. Initial consideration will be satisfied by the issue of 10m new ordinary 10p shares and Security is raising £150,000 through the issue of 1.1m shares to finance growth.

CONNELLS Estate Agents has acquired Surrey Commercial Holdings for £1.21m, of which £962,700 is in cash and the balance satisfied by the issue of 96,000 ordinary 5p shares. Surrey is a firm of residential estate agents in the Croydon area.

VIBROPLANT has purchased the assets of an aerial access equipment rental company operating in Miami and South Florida, US. Consideration was $4.5m financed through medium-term bank borrowing.

KLEINWORT, BENSON Gilt Fund: Third interim 30.3p (31.6p) gross, making 93.38p (94.54p) for nine months to December 1986. Pre-tax profit £1.97m (£1.45m). Income payments on issues £130,189 (£12,965 redemptions). Net asset value per participating share 12.29p (11.45p).

Kenyon

Kenyon Securities, USM-quoted funeral and ancillary services group, lifted pre-tax profits by 14 per cent from £358,000 to £409,000 for the half year to September 30, 1986.

The company said the results reflected the success of the group's policy of selective acquisitions and it was confident that this factor would continue to contribute towards the group's profitability for the current year.

The acquisition of L.J. Richmond & Sons last month — the group's eighth since it came to the USM in December, 1983 — added 500 funerals to the group's annual total and would contribute to the full year's profits.

First-half turnover was ahead slightly at £2.43m excluding recoverable disbursements, against an adjusted £2.33m.

The interim dividend is stepped up to 4p (3.4p) net.

UK COMPANY NEWS

Sturge over forecast with 29% expansion

BY NICK BUNKER, INSURANCE CORRESPONDENT

Sturge Holdings, the biggest independent underwriting agent at Lloyd's of London, overshot its own earnings *forecasts* last year with pre-tax profits up 29 per cent at £9.5m (£7.36m).

The results were "very satisfactory" said Mr David Coleridge, Sturge's chairman. They were achieved in spite of the generally poor results reported at Lloyd's for 1983, the last period underwriters have now closed their accounts, he added.

Sturge is now proposing a bonus issue to shareholders of one share for every three held by people on the register at the close of business on March 6 1987. The company's shares closed unchanged last night at 474p.

Sturge said profits after tax and minorities were £5.58m (£4m) in the year to September 30. Earnings per share rose 39 per cent to 20.83p (14.93p). The board recommended a final net dividend of 5p, up 25 per cent on the figure for 1985, payable on January 23.

Directors forecast last June that pre-tax profits for the year would be £8.9m pre-tax, with earnings per share of 19.42p. The board is to continue however its practise of making a profit forecast when it announces interim figures in June.

Mr Coleridge said that the 1983 Lloyd's accounting year had been marked by big losses suffered by many non-marine syndicates, including two managed by the group. As a result, they produced no profit commission for Sturge.

"This was more than compensated by increased profit commission on the group's other syndicates," he added. "Underwriting agency salaries earned on increased premium income capacity provided a further uplift in income of more than £1.9m."

Sturge acts as an underwriting members' agent, looking after the affairs of some 1,928 underwriting members of the Lloyd's market. It also manages 16 syndicates with a total gross premium capacity of £1bn, or about 10 per cent of the whole market.

See Lex

Orchid postpones USM quotation

ORCHID TECHNOLOGY, a Californian-based designer and manufacturer of personal computer accessories, yesterday postponed its flotation on the Unlisted Securities Market minute before a scheduled press conference to announce the launch.

Sponsors Phillips & Drew said the reason for the delay was "technical difficulties" but refused to elaborate on the nature of the difficulties or the likely period of postponement.

Orchid is the third US company in recent months to run into difficulties with its USM float.

In November, TM Duche Nut Company withdrew its plans for a quotation because of lack of institutional support. The following month SPM, a stationery manufacturer, pulled its offer for sale out of the new issues queue because it could not complete the flotation by the end of the year and thereby avoid new US *capital gains tax provisions*.

Unlike the other two companies, Orchid plans to make another attempt at a quotation. In the year to June 30, 1986, it made profits of $1.78m (£1.19m) on turnover of $11.12m and its market capitalisation was likely to have been about £28m.

HunterPrint lifts profits to £3.2m

IN THE year in which it has gained a full Stock Exchange listing the HunterPrint Group *has reported* record pre-tax profits of £3.21m against £2.39m previously. Sales rose 20 per cent from £47.5m to £57.18m for the year ending September 28, 1986.

The group has reorganised its structure into four divisions: special products, business forms, financial printing and commercial printing.

The latter division contributed £37m, 67 per cent of total group sales. It increased business at home and abroad. Large contracts won by the division included the corporate brochures for the flotation of British Gas an dthe TSB.

Two acquisitions have taken the group into the financial printing market. These were the Galbraith King Group in May and Security Holdings after the financial year end. HunterPrint is hopeful about the prospects for this division in the light of the Government's privatisation policy and the promotion of financial services.

Earnings per share were up 14 per cent to 29.14p (25.52p).

● comment

At the time of the Security Holdings purchase in October, HunterPrint forecast that pre-tax profits would hit £3.1m, so these figures were no great surprise to the market. Even so, the statement's bullish tone pushed the shares up 10p to 358p. The engine of the group *remains commercial printing*, which has been involved in all the privatisation issues to date and recently won the contract for the News on Sunday colour supplement but acquisitions are rapidly spreading the range. Acquiring Security Holdings greatly strengthened the financial printing division, allowing HunterPrint to tender for the complete printing needs of an (unnamed) *forthcoming privatisation* issue. Further in-fill acquisitions are expected this year and pre-tax profits are likely to edge close to £4m, making the prospective p/e of 11. Two caveats: the tax charge is likely to edge up over the next couple of years and the shares remain tightly held by the Hunter family and Gresham Trust and their liquidity needs to improve.

Ace Belmont

Profits of Ace Belmont International, caravan maker, improved from £56,000 to £1.29m over the year to August 31 1986. Sales rose from £37.86m to £43.36m.

Extraordinary income amounted to £1.8m (£216,000) and extraordinary charges £105,000 (£323,000). Pre-extraordinary earnings totalled 29.51p (5.4p losses). The group's shares are all privately held.

Barrow offer extended

BY CLAY HARRIS

YULE CATTO yesterday *extended its offer for Barrow* Hepburn until February 2 after receiving acceptances for 2.67 per cent of shares in the chemicals and engineering group.

The *diversified plantations*, chemicals and building products company said the acceptances indicated "an encouraging level of support" for the £17.3m bid at this stage.

With its own holding, Yule *Catto now controls 5.23 per cent* of Barrow, which yesterday described the level of acceptances as a total rebuff of the offer.

Barrow shares slipped 4p to 61p but were still above the 52p value of the cash and redeemable preference share offer. Yule Catto shares rose 14p to 275p.

Shield Group

Shield Group, the north London property developer which came to the USM last July, returned profits of £475,000 pre-tax *for the six months* ended September 30 1986 and is paying an interim dividend of 1p, slightly ahead of the prospectus forecast.

Turnover for the half year totalled £3.52m.

Turnover for the 1985-86 year totalled £6.87m and pre-tax profits amounted to £631,000.

Trilion advances 26%

Trilion, the USM-quoted broadcasting and television production company, *has reported* a 26 per cent increase in pre-tax profits for the year to the end of September 1986 from £733,801 to £926,315.

Mr W. A. Hope, chairman, described the year as exciting. Not only had all divisions performed well but there had been very strong and controlled growth. During the period Trilion acquired Limehouse Studios, independent production company and three distribution companies.

Turnover rose by 32 per cent to *£9.58m (£7.28m)*. *Earnings* per 10p share were affected by the shares issued for the acquisitions and came out down at 6.2p (6.9p). The proposed final payment has been increased to 0.7p (0.3p) which followed its first interim of 0.4p.

Following the year end the company acquired Viewplan.

Mr Hope said it would be the end of the present year before the benefits of the acquisitions would be seen

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Hunterprint Grp.	5.0	—	3.2	7	4.7
Fleming Overseas int.	1	Mar 24	1	—	2.75
London & Clydeside	4‡	Feb 24	3.9	5.7	5.6
Newman Tonks	4.2	Apr 2	3.85	7.2	5.5
Palmerston In. Tst. int.	2	—	1	—	5
Shield Group int.	1‡	Feb 20	—	—	—
Sturge Holdings	5	Apr 2	4	8	6
TV South	7†	Apr 1	6	10	8
Westpool Inv. int.	0.35	Mar 7	0.34	—	1.5
Wheway	0.5	Apr 2	nil	0.5	nil
Wyko Group int.	1.1‡	Apr 9	1.1	—	2.6

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

BOARD MEETINGS

TODAY

Interims: ASDA-MFI, Sidney C. Banks, Bespak, Celtic Haven, Dixons, Gold Fields Property, Howden Group, *Multitone Electronics, New Witwatersrand*, Parkfield, Stead and Simpson.

Finals: Acatos and Hutcheson, M & G Dual Trust, Southern Business, YSB Channel Islands.

FUTURE DATES

Interims—

Armour Trust	Jan 15
Atlantic Assets Trust	Jan 22
Border Television	Jan 28
Davy Corporation	Jan 21
Harrison Industries	Jan 19
Herrburger Brooks	Feb 17
Kakuzi	Jan 16
MS International	Jan 22
Mhangura Copper Mines	Jan 27
Norbain Electronics	Jan 15
Park Food	Jan 19
Smith (W. H.)	Jan 28
Symonds Engineering	†Jan 16
Textured Jersey	Feb 2
Wigfalls	Jan 19

Finals—

Allied Textile	Jan 28
ASEA	Feb 19
IMI	Mar 23
Low and Bonar	Mar 9
Microgen	Jan 21
Microsystems	Jan 27

† Amended.

Problems facing Whittaker if he wins fight for MSCC

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

SHARP DIFFERENCES emerged yesterday about what Mr John Whittaker will be able to do with the Manchester Ship Canal Company if, as seems likely, his textiles group, Highams, wins the takeover battle for the canal.

Highams' offer closes today.

The company is a statutory one with obligations over drainage and navigation. It has no memorandum or articles of Association but is governed by several acts of Parliament, dating from 1945.

For example, the legislation covers things like the numbers of shares — 4m each of Preference and Ordinary — and caps the total dividend payable to all Preference shareholders at £200,000. Mr Whittaker was yesterday claiming 80 perc ent of the Preference and 35 per cent of the Ordinary shares.

Changing many aspects of the company would require an Act of Parliament — but would it need a simple majority to promote the necessary Bill, or would Mr Whittaker have to get 75 per cent of the equity with him?

Mr Nicholas Berry, MSCC chairman and leader of the defence against the Highams bid, says that his legal advice is that a 75 per cent majority would be needed under Parliamentary standing orders.

This would hamstring Mr Whittaker in areas such as financial reconstruction of the MSCC, altering shareholders' rights, issuing new shares, and liquidation, or closure of the loss-making stretches of the waterway, if he could not win support of Mr Berry, a major shareholder, and his institutional allies, such as Globe Investment Trust.

But Mr Whittaker's advice is that there is no mention of a 75 per cent majority being needed in acts of Parliament governing the canal and that 51 per cent would be enough.

Moreover, he expects to have at least 60 per cent of the total equity before today is out. He says that by breaking this down among nominees—voting is weighted to smaller shareholders—he could convert this into 75 per cent of available votes and obtain the larger majority anyway.

Mr Berry's legal advisers say this is irrelevant. If the 75 per cent figure is correct for promoting a Bill under Parliamentary standing orders, it applies to a general meeting of the capital *without* regard to weighted voting rights.

Mr Berry's advice is that the weighted rights would come into their own if Mr Whittaker wanted to attempt a scheme of arangement or reconstruction under Section 425 of the Companies Act.

However, court approval would also be needed and if the minority shareholders did not agree, they could apply to the count for protection.

BROWN SHIPLEY HOLDINGS has completed the acquisition of Stirling Hendry & Co., stockbrokers with offices in Glasgow and Dundee. Prior to the acquisition, the partners of the firm of Stirling Hendry formed a new unlimited company which Brown Shipley has acquired. Consideration is about £4m, payable in cash, shares and loan notes.

Increased bid for Burns Anderson

By Clay Harris

Burns-Anderson shares yesterday failed to keep pace with an increased bid from Dudley, a private company owned by two west Midlands property developers.

Adding 2p to 113p in the market, the shares fell short of Dudley's final 115p cash offer, which puts a £23.4m price on the diversified Fiat retailer and financial services group.

By the second closing date of Dudley's original 103.5p offer, acceptances had been received representing only 0.65 per cent of shares, although Dudley and an associate controlled a total of 18.79 per cent.

Burns last night was preparing to study the new bid which is open until January 30.

MANDERS (HOLDINGS) is buying Plastics & Resins, based in Wolverhampton for a consideration, which is partly performance-related and not expected to exceed £150,000.

Sales problems hit London & Clydeside

SCOTTISH housebuilder and property developer, London and Clydeside Holdings made pre-tax profits of £1.74m in the year to September 30 1986, up from £1.65m previously.

Mr Norman Chalmers, chairman of the USM quoted group, said the results were held back by a difficult sales market in Aberdeen, but this was offset partly by strong sales in central Scotland. Group turnover in the period rose 29 per cent from £12.44m to £16.06m.

Exceptional items relating to abortive costs incurred in researching potential acquisitions rose to £61,000 (£26,000). The tax charge was also up from £489,000 previously, aided by tax credits, to £730,000.

The final dividend is being raised to 4p (3.9p), making 5.7p (5.6p) net for the year.

The present year did not get off to a strong start. Mr Chalmers said unit sales were below expectations so far. The position had been aggravated by planning delays.

● comment

Boom-time is over for oil towns like Aberdeen and that is bad news for London & Clydesdale, which has around 15 per cent of its sales in the area. Nor has the rest of Scotland participated in the kind of house price boom witnessed in the South East. Average house prices are up 10 per cent north of the border but down 10 per cent in Aberdeen. With no sign of an immediate improvement and with the current appalling weather apparently set in for a while, it seems unlikely that the first-half figures will be very exciting. London & Clydesdale recognise the problems and have already started to diversify in Scotland and to look for acquisition opportunities in England. For the full year, pre-tax profits might edge up to £2m, puting the shares, at 123p, on a prospective p/e of just under 9, about right considering the growth prospects.

Marling rights

Marling Industries' rights issue received in respect of 3.08m shares (88.46 per cent). The remainder has been sold in the market and the net proceeds, subject to a £2 minimum per holding, will be distributed pro rata to provisional allottees.

Ladbroke property man

At LADBROKE GROUP Mr Anthony G. Long has been appointed head of property finance. Reporting directly to the group chairman, this newly-created post reflects the importance of property activities in the group. Mr Long joined Ladbroke in 1975 and is currently joint managing director of Ladbroke City & County Land, the group's retail property arm. On his new appointment he relinquishes his operational role in City & County but remains a director.

★

WARMAN INTERNATIONAL, Todmorden, has appointed Mr P. A. (Tony) Wheeler as marketing director. He was previously with Goodwin International. Warman International is a wholly-owned subsidiary of Peko-Wallsend, Sydney, Australia.

★

Mr Angus Cairns has been appointed managing director of EASAMS. He has worked for other GEC companies including Marconi Underwater Systems, where he was general manager of the Croxley Mill, Watford Unit.

★

Mr Derek Pritchard, formerly a deputy general manager with Mercantile Credit in the north-west, has joined the Chester-based HARSANT STEWARD GROUP as chairman. This follows last July's resignation of Mr John Harsant. Mr John Durrant has also joined the group, merging his established life and pensions brokerage with Harsant Steward Financial Management.

★

Mr Stephen Otterburn has been appointed finance director to the board of TULLETT & TOKYO FOREX INTERNATIONAL. Mr Nick Hoare becomes a director of Tullett & Tokyo (Currency Deposits) Co. Mr John Sickles is made a director of Tullett & Tokyo Securities.

★

At the STRATEGIC PLANNING SOCIETY Mr Adrian Davies has succeeded Mr Peter Beck as chairman. Mr Beck becomes a vice president. Mr Davies is a divisional director and company secretary of International Military Services. Mr Beck was planning director of Shell UK until his retirement in April 1984.

★

ROBERT H. LOWE has appointed Mr Paul A. Lee as deputy chairman. He joined the board in February 1985 and is a partner with Addleshaw, Sons & Latham. Mr Derek Hill has been appointed chief executive of Robert H. Lowe. He joined the board in January 1984 and has led the executive team since November 1984.

★

J. HENRY SCHRODER WAGG & CO. has appointed Mr Richard Gordon as a director. He is currently seconded to Schroder Securities (Japan), Tokyo branch, where he is general manager, capital markets.

★

LONDON & EDINBURGH TRUST has appointed Mr G. A. Kaye as assistant director. The following are appointed directors of subsidiary companies: Mr B. E. Wicks (LET Retail); Mr G. N. Tipping (LET Industrial); Mr G. A. Kaye (LET Offices).

★

At LONDON & CONTINENTAL ADVERTISING HOLDINGS Mr R. E. Groves, Mr J. A. Lawrenson, Mr G. E. Lee-Steere, Mr P. B. Sawdy, Mr J. L. Wesner and Dr K. Bright have resigned. Mr C. R. Hollick, Mr N. Cosh, Mr C. J. Daniels, Mr A. D. Stark and Mr G. Bailey have been appointed to the board.

★

Mr Stephen W. Harragan has been appointed a director of GNI.

★

Mr Philip Warner has been appointed a director of CHELTENHAM & GLOUCESTER BUILDING SOCIETY. He is chairman of Bovis Homes and an executive director of the P & O Group.

★

Mr P. M. Stormonth-Darling has been appointed a director of the ORION INSURANCE CO. He is also chairman of Mercury Asset Management, a member of the Mercury International Group.

★

At JAMES HALSTEAD GROUP Mr David Lowe has been appointed managing director of Conway Leisure Products, a subsidiary. He was formerly deputy managing director.

★

Mr Robin Milne has been appointed a director of ASTLEY & PEARCE (EUROCURRENCY DEPOSITS).

★

GAMPING GAZ (GB) has appointed Mr Peter Knibbs to the positions of chairman and managing director. He previously held the appointment of finance director, a position he occupied since becoming a founder director of the company in 1974.

★

The roofing and insulation division of EVODE GROUP has made three appointments. Mr Keith Branford-White joins Tekurat Insulations from Coolag Purlboard as director of sales. A new director of sales has been appointed at Evode Roofing. He is Mr Mike Cronin, formerly a member of the sales team at Permanite. Mr Andrew Beaumont-Markland, until recently marketing manager at Tekurat Insulations, has taken on additional responsibility as director of marketing for the roofing and insulation division, which also includes Evode Joint Sealing and British Roof Mart.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth			0345 717373	
High Income				
American Income	48.5	51.5	−0.3	5.10
Gilts & Fixed Int.	107.7	115.9	−0.9	10.53
High Inc. Equity	101.7	108.1xd	+0.9	4.81
Worldwide Bond	203.0	215.9	+1.1	4.49
Capital Growth				
American Growth	168.1	170.3	+1.3	0.83
Asian Pacific	63.7	67.7	−0.6	1.47
Assets & Engy. Tst.	115.7	123.0	+1.7	2.38
Capital Reserve	56.1	66.5	−0.3	1.52
Commodity & Engy.	103.7	110.3	+0.8	1.05
European Capital	100.4	106.8	+0.8	1.19
General	147.0	156.3	+1.7	2.72
Japan	[illegible]	[illegible]	+0.1	0.0
Mastertrust	69.4	73.8	+0.4	2.22
UK Growth Acc Units	161.6	171.9	+1.3	0.91
UK Growth Dist.	111.6	118.9	+0.9	1.32
U.S. Emerging Co's	55.8	59.3	+0.4	0.08
Equitas Prog.	222.4	236.5	+2.8	3.05

Allied Dunbar Unit Trusts PLC (a)(g)

Allied Dunbar Centre, Swindon, SN1 1EL. (0793) 28291. Dealing (0793) 610366

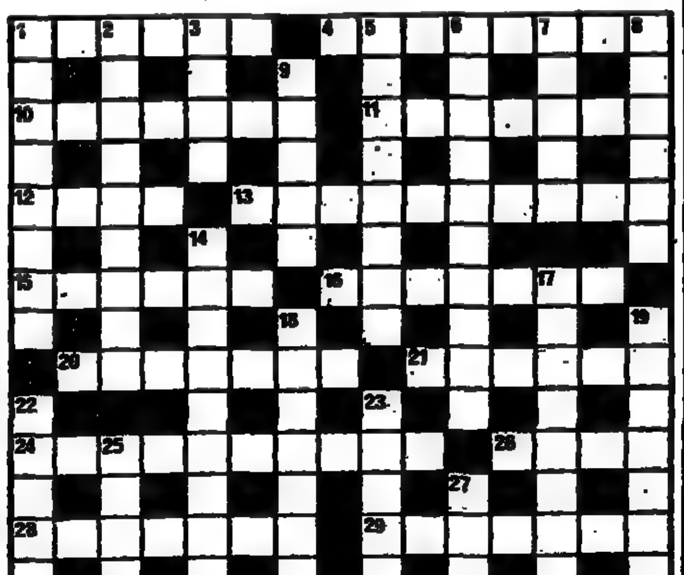
[illegible]

INSURANCES

[illegible]

FT CROSSWORD PUZZLE NO 6,226

HIGHLANDER



ACROSS

1 Move—the jerk is about to do something (6)
4 Timber expert to deal with damaged trees (8)
10 Group of railwaymen have carol service for tenders (7)
11 Strong man in charge but it still went under (7)
12 Boat manufacturer gives no indication of surprise (4)
13 Pip's gone to arrange for delivery by air (6-4)
15 Get down—it's burning (6)
16 Quickly put together a score (7)
20 Run slap into traffic jam (5-2)
21 Small room with bar starting tonight (6)
24 Is *The Compartment* in many *an anthology?* (10)
26 Warning notice (4)
28 Head off confusion and bother: use green fruit (7)
29 Pear is a hybrid from the Rosaceae family (7)
30 Show Spanish burning American car—then fade out (4-2-2)
31 Take top off live point (6)

DOWN

1 Cutter turned back. Was no net seen? (5,3)
2 Poet's chariot race is in the pink (9)
3 Each pupil must have one plant (4)
5 Go further than eccentric American companion (8)
6 Previous board adopted the limit but it's capable of expansion (10)
7 Browny-green light seen in dance halls (5)
8 To repeat: engineers are on the spot, as stated (6)
9 Falls over, dropping guns once more (5)
14 Bill needs help—he's less authority than a foreman (6, 4)
17 Criticise one separating players from crowd (9)
18 Pickled beef not available? Make a start on game (5, 3)
19 Flag, as usual (8)
22 The little devil on the wing is a fast-running beast (6)
23 Student body that's split about being employed (2, 3)
25 Rider turned up unconscious in stream (5)
27 Sealant supplied in bulk (4)

Solution to Puzzle No 6,225

```
ADVOCATE DEBUNK
L O R E   X N N
SURGICAL BONSAI
A T S T B N T T
CHEAPSIDE ERECT
E X   M R R A I
  ISLE GLADDEN
L S T     T Y G
OUTLAST REEL
R R N U E   D N
ROUND BELLICOSE
A T B A E N M E
INTRAY VANGUARD
N E I   S O I L
ENROLS SENTENCE
```

AUTHORISED UNIT TRUST & INSURANCES

Canada Life Group
2-6 High St, Potters Bar, Herts P. Bar 51122

Equity Gth Sept 29	1.508			—
Retirement	5.341			—
Individual Pension—Distribution				
Managed Pen Fund	293.7	309.2		4.9
Property Pen Fund	132.5	139.5		—
Index-linked Pen Fd	125.8	132.5		—
Series C Pension—Accumulation				
International Pen Fd	190.0	200.0		—
Managed Pen Fd	168.2	177.1		—
Property Pen Fd	126.6	133.3		—
Index-linked Pen Fd	122.4	128.9		—
Gilt & Fxd Int Pen Fd	143.8	151.4		—
Equity Pen Fd	186.9	196.8		—
Managed Funds				
Managed	180.5	190.0	+0.4	—
Property	128.4	135.2		—
Gilt & Fxd Interest	134.4	141.5	-1.1	—
Index-linked	111.5	117.4		—
Equity	200.7	211.3	+1.5	2.2
Cash	138.9	146.3		—
Midland Bank Unit Tst	195.0	205.3	+0.5	—
Midland Bk Managed	195.0	205.3	+0.5	—
Midland Bk Interest	227.1	239.1	+0.6	—

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	347.1	367.3	+1.2	—
High Income	299.1	316.5	+2.2	—
Property	216.7	229.3		—
Managed	253.1	267.8	+0.4	—
Deposit	176.0	186.2		—
Gilt	178.8	189.2	-0.1	—
American	251.9	266.6	-0.3	—
International Money	197.6	209.1	+0.3	—
Index	109.2	115.6	+0.6	—
Far East	207.2	219.3	-0.4	—
Global	104.1	110.2	+0.4	—
European	108.6	114.9	+2.7	—
Japan	111.2	117.7	-1.2	—
Residential Property	96.6	102.2		—
2nd Series Pension Accumulation				

Crusader Insurance Plc
Reigate, Surrey RH2 8BL 07372 42424

Measured Performance	103.2	109.2	+0.8	—
Performance Pen.	104.0	110.0	+0.3	—
With Profit Perform.	97.2	102.9	+0.1	—
UK Opportunity	103.0	109.0	+0.6	—
European Opportunity	111.4	117.9	+0.3	—
Nth American Opp.	102.2	108.2	+0.6	—
Far Eastern Opp.	102.0	107.9	-0.5	—
Gwth Prp Ser 1 Jan 7	141.8	151.0		—
Gwth Prp Ser 2	97.0	102.6	+0.1	—
Fixed Interest	98.5	104.2	+0.1	—
Cash	97.1	102.7		—
Managed Pens (Nov 18)	291.63	299.19		—

Devonshire Life
29 Glasshouse St., W1R 5RG 01-434 3511

Managed	115.3	121.5	+0.2	—
World Growth	99.5	104.8	+0.1	—
UK Equity	119.8	126.7	+0.2	—
UK Small Companies	115.0	121.1	+0.5	—
European	103.2	108.7	+0.5	—
Far Eastern	162.5	171.2	+1.6	—
Nth American	95.8	100.9	-0.4	—
Fixed Interest	105.1	110.8	-0.4	—
Index Linked Stks	99.8	105.2	+0.2	—
Money	100.3	105.6		—
Pen Managed	127.8	134.6	+0.6	—
Pen World Growth	101.0	106.4	+0.5	—
Pen UK Equity	138.3	145.7	+1.0	—
Pen UK Small Co.	126.0	132.8	+1.0	—
Pen European	102.8	108.4	+1.2	—
Pen Far Eastern	212.8	224.1	+2.9	—
Pen Nth American	93.9	98.3	-0.3	—
Pen Fixed Interest	107.9	113.7	-0.6	—
Pen Index Lnkd Stks.	100.0	105.4	+0.2	—
Pen Money	104.5	110.1		—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521311

Secure Fund	104.1	109.4		—
Blue Chip Fund	129.2	136.1		—
Performance Fund	154.3	162.5		—

INSURANCE, OVERSEAS & MONEY FUNDS

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	149.9	157.9	-0.1	—
Property Fund	117.9	124.2		—
Fixed Int Fund	127.2	134.0	-1.3	—
Money Fund	119.0	125.4	+0.1	—
Equity Fund	197.5	208.0	+0.6	—
TSB Pensions Ltd.				
Managed Pension	420.7	443.0	+3.7	—
Deposit Pension	115.5	121.6		—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	409.2	430.8	+0.7	—
Property	261.2	275.0		—
Fixed Int.	154.9	163.2	-0.5	—
UK Equity	479.0	504.3	+2.5	—
Int. Equity	335.0	350.6	-0.7	—
Deposit	157.5	165.8		—
Managed Property	213.0	224.3	+2.0	—
American Eagle	114.7	120.8	-0.4	—
Technology	94.8	99.8	+0.4	—
Worldwide Income	176.3	185.6	+0.4	—
Pacific	177.8	187.2	-0.8	—
Australian	92.6	97.5	-0.1	—
Japan	277.1	291.7	-0.5	—
Commodity	106.6	112.3	+0.1	—
Gold	134.9	142.1	+0.4	—
Financial	205.5	216.4	+1.7	—
Income	237.2	249.7	+1.0	—
Special Situations	214.1	225.4	+0.9	—
Preference	135.6	142.8		—
Managed Currency	95.4	100.5	+0.1	—
European Spec. Sits.	195.7	206.0	+1.8	—
Sterling	100.3			—
Residential Property	98.0	103.2		—
Pension Funds				
Managed Pension	1217.9	1282.1	+11.1	—
Gilt Pens.	348.5	366.9	-1.1	—
Property Pens.	625.1	658.1	+7.1	—
Equity Pens.	396.5	417.4	+0.7	—
Index-L Pen.	123.9	130.5	-0.1	—
Gtd. Pen.	258.6	272.3	+0.1	—
Leicester Retirement	155.5	163.7		—

Prices quoted are for Accumulation units

Teachers' Assurance Company Ltd
12 Christchurch Rd, B'mouth BH1 3LW 0202 291111

Managed Fund	174.4	183.6		—
Gilt & Fixed Int Fd	130.8	137.7		—
Cash Fund	125.6	129.9		—

The Portchester Group
93 Wimpole Street, London W1M 7DA 01-495 9090
Portchester Managed Funds

Albany	116.6	122.7	-0.1	—
Cornhill	104.0	109.5		—
Irish Life	109.0	114.8		—
Royal Heritage	99.9	105.2		—
Schroder	97.4	102.7	+0.3	—
Standard	117.9	124.1		—
Target	119.4	125.7	+0.1	—
Trident	113.3	119.4	+0.2	—
Portchester Managed Pension Funds				
Albany	126.7	133.4	-0.1	—
Schroder	98.7	103.9	+0.1	—
Standard	123.4	129.9	+0.2	—
Target	110.2	116.1	+0.1	—

Managed by Portchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med.	113.4	119.4		—
Pens. Man-Schroder	463.6	488.0		—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	98.9	104.2	-0.3	—
Guardian Royal Exch.	96.7	101.8	-0.2	—
M&G Am (Life)	111.1	116.8		—
M & G Am (Pens)	127.2	133.8		—
Norwich Union Amt Mgt	91.9	96.7		—
Royal Life (UnitLnk Am)	100.7	106.0		—
Scot Equitable (Life)	146.5	154.2		—
Scot Equitable (Pens)	99.8	105.1		—
Scot Mutual (Life)	151.5	159.6		—
Scot. Mutual (Pens)	137.8	145.1		—
Vanbrugh Life Am	117.8	124.0	+0.4	—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	183.0	192.7	+0.1	—
Target Mngd Pension	121.4	127.8	+0.1	—
Albany Mngd Bond	161.3	169.8		—
Albany Mngd Pension	202.6	213.4		—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JN 0200 28066

Growth & Income (RH)	170.2	179.2		—
Unit Bond (Roy.M)	138.7	146.1		—
Flexible Managed (Sun)	137.4	144.7		—
Global Managed (Cohr.)	127.7	134.4		—
Pension Fund (Roy. H)	115.9	122.1		—

OFFSHORE AND OVERSEAS

Credit Suisse
23 Avenue Monterey, Luxembourg

BWS Deutsche Ges. F. Wertp.
Grunebergweg 113, 6000 Frankfurt

Daehan Investment Trust Co
44-5, Yoido-dong, Youngdungpo-ku, Seoul

Dean Witter World Wide Invest.
14 Rue Aldringen, Luxembourg

Delta Group
PO Box 3012, Nassau, Bahamas
London Agents: Kleinwort Benson

Deutscher Investment-Trust
Mainzer Landstrasse 11-13, 6000 Frankfurt

Drexel Burnham Lambert
77 London Wall, London, EC2

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons.	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	28	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk.	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Falklands to announce fish licence awards

By Robert Graham

A LIST of successful applicants for fishing licences in the 150 mile fisheries conservation zone round the Falklands is expected to be announced later this week, according to the Falklands Island Government. The fisheries conservation zone is due to be introduced on February 1, coinciding with the opening of a new fishing season in the South Atlantic.

The British Government's justification for the introduction of the licence system is to conserve fish stocks, principally squid: but the new scheme is also designed to bring revenue to the Falklands. It is estimated that income in the first full year will be between £6m and £8m.

The licences run until June 30 and apply to individual vessels based on the type of fishing gear and size.

Last year it was estimated some 360 vessels were fishing during the season, their main countries of origin being the Soviet Union, Poland, Spain, Japan, South Korea and East Germany. The main interest in the licence awards will be whether owners of vessels from countries that are sympathetic or supportive of Argentina's claim to the Falklands will apply. However, where possible applications are not being treated on a Government basis but by vessel ownership. It is understood that the Soviets and Bulgarians, both of whom have fishing agreements with Argentina, have not applied. However, Poland apparently has applied in the names of individual vessels.

The licence fee is being calculated on 5 per cent of the value of each vessel's landed catch. According to the Falkland Islands Government, the average fee will be between £50,000 and £60,000. The vessels will be obliged to call at Port Stanley, the Falklands' capital, to collect their licences and the Government will have the right to inspect the catch. However, it is stressed that the latter measure is intended as much for scientists to examine the catch as for formal policing.

Rubber demand and output rise in 1986

WORLD RUBBER consumption (natural and synthetic) rose by 1.2 per cent last year to 13.56m tonnes, according to the International Rubber Study Group. Natural rubber consumption rose by only 0.5 per cent, compared with 1.5 per cent for synthetic, and its share of the total fell slightly to 32.3 per cent.

Synthetic rubber also made the pace on the production side with output increasing by 2.1 per cent to 9.2m tonnes against natural rubber's 1.2 per cent to 4.4m tonnes. Overall production outstripped consumption by 30,000 tonnes in 1986 after being in deficit by 55,000 tonnes in 1985.

In the US meanwhile the International Institute of Synthetic Rubber producers said total new rubber consumption in North America fell by 1 per cent in 1986.

LME row brews over fund segregation

BY ANDREW GOWERS

FRESH differences emerged yesterday among members and users of the London Meta Exchange over proposed reforms in its structure.

The dispute, concerning the treatment of trade clients by dealing members of the market, annoyed the LME authorities and threatened to introduce further complications into negotiations between the exchange and City regulators at a time when both sides thought they had resolved the bulk of their problems.

It surfaced as LME members and users met Sir Kenneth Berrill, chairman of the Securities and Investments Board, and other senior regulators to discuss far-reaching proposals to change the market's trading structure, which it needs to implement if it is to obtain approval as a recognised investment exchange under new financial services legislation.

The most significant reform is the adoption of a central clearing-house in the place of the current principal-to-principal system, expected in April. But a host of other issues have *had to be resolved between the* exchange and the regulators, including how client funds are to be handled to conform with investor protection rules, and how prices sohuld be reported to ensure "price transparency" in the market.

Last month, the LME proposed to members that they should in future handle private investors' funds in segregated accounts as required by SIB rules, but that the exchange's traditional trade clients — metal companies — could opt out of such segregation if they wished. If they did, they would be able to trade freely on credit as they currently do, but they would not enjoy the full protection afforded to private clients.

Yesterday, however, Mr Christopher Sharples of brokers GNI suggested that trade clients should be able to keep segregated accounts and trade on credit. Whilst some trade representatives — who would benefit greatly from this proposal — backed the idea, the LME authorities and a number of ring dealing members were distinctly unenthusiastic. Some voiced the fear that it would swiftly concentrate LME business in the hands of a few strongly-capitalised members, which could afford to extend large amounts of credit under the proposed system, and sap the exchange's already depressed trading volumes still further.

SIB representatives said they would consider such an idea if it were put to them by the exchange. But Mr Michael Brown, LME chief executive, and Mr John Wolff, its new committee chairman, said later *that they would strongly resist* it.

● Members of the London Commodity Exchange, which operates markets in coffee, sugar and cocoa futures, yesterday deferred a decision on the admission to membership of "locals," or individuals trading on their own account. At a special meeting called to discuss the issue, a formal vote was postponed as a result of poor attendance owing to the cold weather. However, the exchange authorities promised to hold a postal vote.

Protectionism looms in US uranium industry

BY DAVID OWEN IN CHICAGO

THE WAVE of protectionism gathering momentum in a number of US markets may be poised to overflow into the decimated domestic uranium industry.

Interested onlookers are keenly awaiting a decision by Denver's 10th Circuit Court of Appeals on whether to uphold a lower court ruling which would prohibit the US Energy Department from processing imported uranium.

Any restriction on the treatment of foreign material, which in 1986 held an estimated 40 per cent of the US market, is widely expected to boost depressed domestic ore prices and aggravate current trade tensions with Canada, the principal non-US supplier.

"If the restriction is upheld at the 100 per cent level, I think US prices *will rise substantially in the short term and* continue higher," says Mr George White, a managing broker with Nuexco, a Denver-based consultant.

"In the 100 per cent case, we could be talking in excess of $30 per pound," he adds. The widely-quoted Nuexco exchange value for spot market transactions currently stands at $16.75 per pound of uranium oxide (U308), down from a 1978 high of $43.40.

The depressed world market and low-cost foreign competition have pushed the domestic uranium mining industry, the viability of which the US Government is required to safeguard in accordance with a clause in the Atomic Energy Act, into protracted recession.

Total 1985 output was approximately 11.3m pounds of U_3O_8 — down nearly 30 per cent from the year earlier level and the fifth consecutive annual decline. Clearly, a sustained period of higher prices would prompt the restart of some shuttered capacity and may even lead to the opening of new mines.

"There would be some restarts. But often it may be more economical to start new *operations," says Nuexco's* Mr White. "As prices came down, a lot of producers tended to high grade and some of the mines will have been allowed to flood," he adds.

One facility which would probably resume operations in the event of a sustained price rise is Atlas Corporation's Moab mill in Utah. "If the price went to $25 a pound, we would be tempted to get going again," according to Mr Edward Farley, the company's chairman.

US may offer cut price grain to China

By Nancy Dunne in Washington

THE REAGAN Administration is now debating a plan to offer subsidised grain to China in order to defend its market share against European suppliers.

Some officials are said to be urging that the US offer to extend the export enhancement programme (EEP) to China, where the US has been losing business, mostly to the Australians, since a dispute arose over Chinese exports of textiles to the US. Under the EEP, the US subsidises the price of American grain by providing bonus commodities from Government stocks for sale.

The National Association of Wheat Growers said American farm groups had been particularly concerned about reports that China had bought 350,000 tonnes of French wheat for delivery this year at $1.85 a bushel.

"We feel it is important to make a stand (against new market losses) now," an official said. "Europeans don't have that big a piece of the market, but do we want to wait until they have the market and then try to get it back?"

The EEP programme has been used almost exclusively in cases where the US wants to challenge European suppliers offering highly subsidised grain. However, the US last summer offered the Soviet Union 3.85m tonnes of subsidised wheat, saying Moscow had promised to buy that amount under a long-term grain agreement but that US prices were too high.

The Soviets never took advantage of the US offer, and the Reagan Administration received criticism from both conservatives, for offering cheap grain to Communists, and farm groups, who said it wasn't cheap enough. The Administration is likely to be more cautious in offering subsidies to China, but it has been assured by grain dealers that the prospects are good that the Chinese will buy.

A US Department of Agriculture team is now in China. Some Administration officials had hoped for a decision to offer the EEP during the trip.

However, no decision is believed to have been made yet, although the top-level trade policy council has discussed the issue. The State Department is said to be opposed to the offer out of concern over injury to other exporting nations, which do not offer export subsidies, and because the EEP has offended good customers like Japan and South Korea which are not beneficiaries of the scheme.

● Mr Bill Lane, US Ambassador in Canberra, has accused Australia of over-reacting to further subsidised sales of US barley to Saudi Arabia, writes Chris Sherwell in Sydney.

Ministers had claimed that proposed sales amounting to 1.25m tonnes were contrary to their understanding about US plans for marketing barley in the current year, and would undermine Australia's markets and prices.

Mr Lane said the complaints were untrue. US subsidies were not aimed at Australia but at the EEC, he added.

Meanwhile the Bureau of Agricultural Economics has confirmed that Australia will produce its fourth largest wheat crop this season.

Andriessen's struggle for reform

BY TIM DICKSON IN BRUSSELS

MR FRANS Andriessen, the soft-spoken Dutch Agricultural Commissioner, is characteristically copy at the moment about the EEC's farm price package for the 1987-88 marketing season. But when asked, during a recent interview with the Financial Times, how European farmers would react to his proposals, now likely to be formally unveiled at the beginning of next month, he replied with a broad grin, "I don't think they will be all that surprised."

Quite so. As has already been fairly well decumented, Mr Andriessen and his colleagues are currently trying to tackle the problems of overproduction in three major ways—pricing policy; more flexibility in the use of guaranteed EEC purchases of agricultural products; and an increasing emphasis on "co-responsibility," or taxing the producers who create the surpluses. The much-vaunted reforms achieved by the Council of Ministers in December—a near 10 per cent cut in milk quotas over the next two years and changes to the beef and dairy intervention schemes—can be seen as the most serious effort so far to deal with "intervention" and co-responsibility (the effective result of quotas). The inevitable political battles over prices in the next few weeks will merely represent a shifting of the focus of a wider and interlocking debate.

With less than two years of his term as Farm Commissioner left to run, Mr Andiessen clearly hopes that he will be seen by future generations as the architect of significant CAP reform. Hailed on his arrival as a tough disciplinarian—not surprising as one of a bevy of former national finance Ministers in the present Commission—he has disappointed his supporters with what many of them saw as his early equivocal edalings with the powerful European farm lobby. To be fair, that is a trap which caught most of his predecessors. Following the political breakthrough in December — for which he can take as much credit as the British Presidency's persistent negotiator Mr Michael Jopling, there are at least signs that he has opponents of CAP reform seriously worried.

Whilst paying tribute to the "courageous" political decisions of last month, Mr Andriessen is under no illusions that much more needs to be done and says that he is "not sure that we are yet half way there." One key political test, as he admits, will be Ministers' reactions to proposals currently being prepared for the suspension of butter intervention where the Commission feels this is necessary.

The December Council called on Mr Andriesson to spell out his criteria by the end of February, though as the Commissioner himself concedes, the Council could in the end limit his powers so far as to make them meaningless. One option, he says, might be "to think about price relations between the intervention price and the market price in the same way that we have done in the beef regime, but I would stress that there are many other options."

Mr Andriessen would clearly like to breach the principle of automatic intervention — an ambition which was ultimately frustrated in the negotiations over beef support last month. "The system was never conceived in this way. At a certain

Mr Frans Andriessen . . . under no illusions

moment on a French initiative it was decided that there should be continuous intervention in beef. The result is that beef and butter are very privileged."

On the question of "set asides"—the idea of taking land out of production which Britain believes could ease the problem of grain surpluses—Mr Andriessen is notably cool. "Some people think this is the final solution. I don't. It is very complicated, it needs a well functioning administration, and it would have to be applied right across the Community. In some parts of Europe, people would replace cereals with grassland, sugar beet or even beef production. The land should be absolutely fallow and not applied to any other use."

Mr Andriessen says that "set asides" could ultimately be "one of the elements" used to curb overproduction, but implies that Commission proposals are unlikely this year. A much more urgent priority as far as he is concerned is the Commission's so-called "socio-structural" package—a series of measures such as inducements for early retirement for farmers and encouragement for less intensive farming methods first unveiled last April but currently being re-worked.

Another ambition is to devise new types of direct cash aid for poorer farmers—an idea which he has suported from the beginning and would certainly appeal to Commission President Jacques Delors, who is known to be unhappy that a stronger commitment to this policy was not included in the December agreement. "The debate is very low key at the moment. Member states are not very enthusiastic. But we are working hard to bring about some way of dealing with it within acceptable budgetary limits and without the risk of re-nationalising. We are preparing a regulation which would tell member states what they are allowed to do themselves and how not to go against the intentions of *market policies."* Mr Andriessen voices concern about the sort of income support measures under discussion in France and West Germany and says he is considering schemes to which member states *and* the Community would contribute.

LONDON MARKETS

THE LONDON Metal Exchange's cash lead price came under further pressure yesterday as the recent squeeze on nearby supplies continued to unwind. A £22 fall left the cash price at £300.50 a tonne and trimmed the premium over three months lead, which a week ago topped £40 a tonne, at only £3.75. Dealers said the narrower premium resulted in part from freer "lending" (selling cash and buying forward). At the London Commodities Exchange meanwhile coffee prices lost more ground under pressure from persistent speculative selling. A late rally left the May position only £10 lower at £1,587.50 a tonne — having dipped to £1,560 at one stage — but the prompt January position closed with a £27.50 loss on the day at £1,575 a tonne, re-establishing the normal situation of the prompt quotation being at a discount. Cocoa prices dipped to six-month lows in early trading before rallying on short-covering and manufacturer buying. But the gains were trimmed back towards the close.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	789-91	+2.5	787/785.5
3 months	801-1.5	+5	801.5/798

Official closing (am): Cash 787-7.5 (787.5-8); three months 796.5-7 (796.5-7); settlement 787.5 (788). Final Kerb Close: 799-800. Turnover: 13,250 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	910-1	−2.5	910/909.5
3 months	933-3.5	−2.5	935/931

Official closing (am): Cash 909.5-10 (914-4.5); three months 932-2.5 (936-3.5); settlement 910 (914.5). Final Kerb Close: 932-2.5.

Standard			
Cash	881-3	−5.5	—
3 months	910-1	−3	—

Official closing (am): Cash 880-2 (888-90); three months 907-9 (912-5); settlement 882 (890). US Producer prices 64-67.50 cents per pound. Total turnover: 11,175 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	300-1	−22	301.5/300
3 months	296.5-7	−6.5	298.5/295

Official closing (am): Cash 301-2 (331-2); three months 295.5-6 (305-5.5); settlement 302 (332). Final Kerb Close: 296-7. Turnover: 13,575 tonnes. US Spot: 24-28 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2300-10	−2.5	2310
3 months	2355-60	+1	2365/2345

Official closing (am): Cash 2308-12 (2328-32); three months 2360-61 (2376-80); settlement 2312 (2332). Final Kerb Close: 2355-60. Turnover: 1,326 tonnes.

TIN

Kuala Lumpur Tin Market: Close 17.29 (17.32) ringgit per kg. Down 0.03 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	499-501	−5.5	—
3 months	496.5-9	−4.75	501/494

Officia lolosing (am): Cash 497.5-8 (511.5-2); three months 496.5-7 (506-8.5); settlement 498 (512). Final Kerb Close: 501-2. Turnover: 7,075 tonnes. US Prime Western: 42-44.75 cents per pound.

GOLD

Gold fell $1¼ to $408-408½ on the London bullion market yesterday. It also opened at $409-409½ and was fixed at $408.60 in the morning and $409.00 in the afternoon. Trading was quiet, amid light selling on disappointment at the metal's failure to benefit from the weak dollar and high oil prices. Gold touched a peak of $409¾-410¼ and a low of $408-408½.

GOLD BULLION (fine ounce) Jan. 13		
Close	$409-409½	(£274½-275)
Opening	$409-409½	(£274½-275)
M'n'g fix	$408.60	(£274.135)
Aft'n'n fix	$409.00	(£274.958)

GOLD AND PLATINUM COINS		
Am Eagle	$421-426	(£282¼-285¼)
Mapleleaf	$419½-424	(£281¼-284¼)
Kr'g'r'nd	$408-410	(£273½-275)
½ Krug	$204-213½	(£136¾-143¼)
¼ Krug	$102-110	(£68½-73¾)
Angel	$420-425	(£281½-285¾)
1/10 Angel	$42-47	(£28¼-31½)
New Sov.	$96-98	(£64½-65¾)
Old Sov.	$97-98½	(£65-66)
$ 20 Eagle	$425-475	(£285-318½)
Noble Plat	$540-550	(£362¼-368¾)

SILVER

Silver was fixed 0.15p an ounce lower for spot delivery in the London bullion market yesterday at 371.75p. US cent equivalents of the fixing levels were: spot 554.25c, up 3.45c; three-month 562.3c, up 3.65c; six-month 570.4c, up 3.8c; and 1-2month 586.85c, up 4.2c. The metal opened at 372¼-373¼p (555-557c) and closed at 373-374½p (556-558c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	371.75p	−0.15	378p	−5.5
3 months	381.55p	−0.05	382p	−5
6 months	391.25p	—	—	—
12 months	410.60p	+0.10	—	—

LME—Turnover: 0 (1) lots of 10,000 oz.

SOYABEAN MEAL

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Feb	130.0-132.0	+1.00	—
April	129.0-130.0	+0.35	129.5
June	122.2-122.5	+0.45	122.5
August	128.2-121.5	+0.35	—
Oct	121.6-122.4	+0.10	—
Dec	123.5-124.5	—	—
Feb	124.0-127.0	−0.50	—

Sales: 11 (199) lots of 20 tonnes.

INDICES

REUTERS

Jan.12	Jan. 9	M'th ago	Year ago
1600.8	1600.4	1637.2	1857.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Jan. 12	Jan. 9	M'th ago	Year ago
Spot	115.39	114.59	—	132.16
Fut	115.90	115.77	—	136.39

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Jan. 13 1987	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1245/265	+5	$1229/246
Copper			
Cash Grade A	£910.5	−2.5	£933.5
3 mths	£933.25	−2.5	£952.75
Gold Troy oz	$409.25	−1.75	$384
Lead Cash	£300.5	−22	£374.5
3 mths	£296.75	−6.5	£334.75
Nickel			
Free Mkt	158/178c	+1	161/181c
Palladium oz	$126.75	−1.5	$118.25
Platinum oz	$526.00	−12.5	$489.50
Quicksilver†	$155/165		$155/165
Silver troy oz	371.75p	−0.15	378.90p
3 mths	381.55p	−0.05	388.65p
Tin			
free Mkt	£4560/580	−5	£4570/410
Tungsten	$41.44		$47.64
Wolfram 22.04lb	$35/45	+1.5	$32/42
Zinc	£500	−5.5	£546.5
3 mths	£498.75	−4.75	£540.5
producers	$878		$870
Coconut (Phil)	$410x		$385
Palm Malayan	$330w	+30	$282.5
Copra (Phil)	$280		$250
Soyabean (U.S.)	$149	−1	$146
GRAINS			
Barley Fut. Mar.	£112.40	−0.45	£114.30
Maize	£143.00		£143.50
Wheat Fut. Mar.	£113.40	−0.25	£115.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1405.5	+6.5	£1431.5
Coffee Ft. Mar.	£1587.5	−10	£1767.5
Cotton A Ind.*	65.60c	+0.4	60.00c
Gas Oil Mar.	$163.75	−4.25	$135.25
Rubber (kilo)	66.75p	+0.5	64.5p
Sugar (raw)	$155.5x	−0.5	$147
Wooltops 64s	427p kilo		427p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. x Jan-Feb. z Dec-Jan. w Feb. y Feb-March.

COFFEE

Further commission house liquidation led to new contract lows, reports Drexel Burnham Lambert. By mid-afternoon prices had lost up to £35 *from the previous close with light price* fixing easily absorbed. A wave of mixed buying towards the close recovered most of the day's losses.

COFFEE	Yesterday close	+ or −	Business Done
Jan	1570-1580	−27.5	1600-1565
Mar	1585-1586	−10.0	1600-1560
May	1600-1616	−14.5	1611-1576
July	1635-1638	−8.0	1635-1610
Sept	1660-1675	−3.5	1675-1638
Nov	1650-1690	−27.5	1675-1665
Jan	1650-1700	−25.0	—

Sales: 8,140 (4,705) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 12: Comp. daily 1979 117.62 (121.27); 15-day average 123.39 (124.20).

COCOA

Futures opened unchanged and remained well supported by commission house short-covering, finishing on a steady note. Actuals were neglected, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
March	1379-1380	+7.0	1386-1370
May	1405-1406	+6.5	1412-1396
July	1432-1433	+6.5	1438-1427
Sept	1457-1458	+6.0	1465-1450
Dec	1490-1491	+11.5	1496-1478
March	1519-1521	+14.0	1520-1517
May	1535-1542	+13.5	1545-1535

Sales: 1,786 (2,128) lots of 10 tonnes.

ICCO indicator prices. Daily price for January 13: 89.80 (89.10); five-day average for January 14: 88.24 (89.20) US cents per pound. Daily price 1,591.26 (1,582.26); 10-day average 1,616.73 (1,621.70) SDRs per tonne.

GRAINS

	WHEAT		BARLEY	
Mnth	Yestrdy's close	+ or −	Yest'rdy's close	+ or −
Jan	111.70	+0.50	111.35	+0.50
Mar	113.40	−0.25	112.40	−0.45
May	115.80	−0.25	114.15	−0.35
July	117.90	−0.20	—	—
Sep	100.85	+0.25	100.15	+0.05
Nov	102.90	+0.25	102.95	+0.10
Jan	105.75	+0.15	105.95	+0.15

Business done—Wheat: Jan 111.85-1.65, March 113.75-3.40, May 116.15-5.80, July 117.90, Sept 100.85-0.60, Nov 103.00-2.80, Jan 105.75-5.55. Sales: 179 lots of 100 tonnes. Barley: Jan 111.25-1.00, March 112.75-2.40, May untraded, Sept 100.10, Nov 102.95-2.80, Jan 105.95-5.80. Sales: 75 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: W Midlands 109.70, N West 109.80. The UK monetary coefficient for the week beginning Monday January 19 (based on HGCA calculatoins using five days' exchange rates) is expected to change to 1.302.

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Feb 104.50, Mar 105.25. US no 2 soft red winter Jan 103.25, Feb 105.25. French 11½-12 per cent Jan 141.75. English feed fob April/May/June 119.00/19.75 buyer/sellers. Maize: US no 3 yellow/French transhipment east coast Dec 143.00.

POTATOES

Profit-taking appeared in both the UK and Dutch markets after the strong rise of the past week, and prices eased back. Some confusion over a *report on the supply situation from the* PMB over lunch saw prices in London firm towards the morning highs initially, but this interest was not sustained and stop-loss levels were triggered, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	118.00	115.00	118.00-115.80
Apr	169.80	176.70	174.50-169.50
May	189.00	196.40	195.00-189.00
Nov	89.00	89.00	89.00
Feb	98.00	100.50	—

Sales: 1,898 (2,680) lots of 40 tonnes.

FREIGHT FUTURES

Prices were sharply lower on general profit-taking once it became clear that the oversold situation on the physical market had eased. Latest indications were for a Gulf/Japan rate of $13.50, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	790	800/780	804/806
April	770/775	800/760	810
July	650	675/650	685/695
Oct.	770	797/770	800/805
Jan.	790/860	—	830
Apr.	830	—	820
July	720	720	740/745
Oct.	820	—	815/835
BFI.	769	—	798.5

Turnover: 456 (529).

US MARKETS

EARLY WEAKNESS in the dollar saw the metals trade slightly higher initially but as the US currency strengthened, and oil prices declined, gold, silver, copper and platinum futures reacted on the downside, but in light volume, reports Drexel Burnham Lambert. Early trade buying steadied gold, but commission house selling, profit-taking and trade selling took values back to initial support areas around the $408.00-408.50 level, basis February. Platinum held barely steady on trade buying, but weakened on commission house selling before locals lent support at lower levels. The only major feature in copper was a weakening of the March-May switch as traders sold March, reflecting concern over the large open interest in that month. Silver steadied on commission house buying before locals sold the market down. Crude oil weakened as profit-taking emerged but short-covering and light trade buying pared losses. Trade and producer selling in the face of price-fix buying and short-covering kept coffee futures on the defensive, while Brazilian price-fix selling at the highs stifled an advance in cocoa after light commission house stops were touched off. Light commission house and trade buying steadied sugar futures.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	52.70	—	—	52.40
Feb	52.85	—	—	52.55
March	53.00	53.00	52.60	52.70
May	53.10	53.10	53.00	52.85
July	53.15	53.05	53.05	53.00
Sept	53.25	—	—	53.10
Dec	50.65	—	—	50.55
Jan	53.80	—	—	53.50
March	53.90	—	—	53.65
May	53.90	—	—	53.75

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
March	1873	1878	1861	1856
May	1908	1914	1903	1893
July	1933	1934	1925	1915
Sept	1957	1960	1954	1939
Dec	1981	1980	1980	1963
March	2001	—	—	1983

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	127.10	128.35	125.60	127.40
May	128.98	130.00	127.40	129.25
July	130.51	131.75	129.10	131.80
Sept	132.25	133.50	131.00	133.83
Dec	132.50	135.00	132.50	135.25
March	133.15	—	—	136.50
May	135.66	—	—	137.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	61.15	—	—	61.15
Feb	61.35	—	—	61.35
March	61.75	61.80	61.60	61.75
May	62.25	62.45	62.15	62.30
July	62.68	62.80	62.35	62.70
Sept	63.00	63.15	63.05	63.05
Jan	63.75	—	—	63.80
March	64.15	—	—	64.20
May	64.45	—	—	64.50

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
March	58.55	59.35	58.50	58.33
May	58.02	58.60	57.55	57.85
July	57.40	58.16	57.35	57.30
Oct	56.80	57.05	56.90	56.61
Dec	56.25	56.75	56.20	56.10
March	56.55	—	—	56.45
May	56.75	—	—	56.65

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Feb	18.89	18.95	18.71	19.01
March	18.78	18.86	18.66	18.96
April	18.58	18.65	18.46	18.76
May	18.28	18.40	18.16	18.51
June	17.96	18.15	17.92	18.28
July	17.70	17.95	17.69	18.05
Aug	17.55	17.50	17.55	17.90
Sept	17.40	17.77	17.40	17.78
Oct	17.47	17.88	17.47	17.82

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	124.25	124.50	122.90	122.75
March	125.55	125.90	125.05	124.80
May	125.80	126.50	125.80	125.15
July	126.00	126.80	126.00	125.70
Sept	126.20	126.35	126.00	125.70
Jan	127.75	127.10	127.10	127.30

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	54.25	54.60	53.85	54.66
March	53.55	53.95	53.10	54.13
April	51.35	51.95	51.10	52.22
May	49.25	49.80	49.00	50.22
June	48.30	48.85	48.00	49.20
July	48.10	48.60	48.05	49.10
Aug	48.25	49.00	48.25	49.50
Sept	49.20	—	—	50.35

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	410.9	409.0	409.0	408.7
Feb	412.3	412.7	408.9	410.2
March	413.9	412.0	412.0	411.8
April	416.1	416.5	413.7	414.0
June	419.7	420.5	417.5	417.5
Aug	423.3	422.4	421.0	421.0
Oct	426.8	425.5	424.5	424.4
Feb	434.4	434.5	432.0	431.9
June	442.0	—	—	438.5
Oct	426.3	425.5	424.5	424.4

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	530.0	528.0	524.0	530.0
April	534.0	535.0	524.5	534.0
July	537.5	539.0	527.0	537.5
Jan	545.5	541.0	538.5	545.5

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	553.6	554.0	554.0	555.0
Feb	556.7	—	—	557.2
March	558.5	564.0	556.0	560.0
May	564.2	569.0	562.0	565.7
July	569.8	575.0	567.5	571.1
Sept	575.8	579.0	578.0	576.9
Jan	587.9	—	—	588.9
March	593.8	—	594.5	594.8
May	600.1	—	—	601.1

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	6.74	6.75	6.48	6.56
May	6.92	6.93	6.70	6.75
July	7.04	7.05	6.85	6.88
Sept	7.05	7.00	6.97	6.95
Oct	7.24	7.24	7.06	7.09

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	58.42	58.57	58.15	58.50
April	58.40	58.45	58.15	58.40
June	57.40	57.47	57.10	57.32
August	56.12	56.15	55.85	56.07
Oct	54.75	54.95	54.70	54.70

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Feb	47.80	48.00	47.50	47.42
April	43.42	43.62	43.10	42.97
June	45.92	46.10	45.67	45.65
July	45.86	45.90	45.55	45.55
August	43.60	43.85	43.50	43.32
Oct	40.35	40.60	40.30	40.30
April	38.65	38.75	38.50	38.30

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	156.2	160.0	155.0	160.0
May	163.2	157.6	162.2	157.2
July	167.4	172.0	167.0	171.4
Sept	171.6	175.2	171.0	175.4
Dec	175.8	178.6	175.0	178.8
March	183.4	186.0	182.6	186.2
May	188.4	187.4	185.4	189.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	65.60	65.90	64.55	64.42
March	64.42	64.90	63.30	63.30
May	64.55	64.60	63.70	63.67
July	62.92	63.05	61.80	62.00
August	60.67	60.95	59.80	60.10

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Jan	494.2	495.4	494.0	496.0
March	494.4	497.4	494.2	496.0
May	496.4	497.6	496.4	497.8
July	497.2	500.0	497.0	498.8
August	496.0	499.0	496.0	497.0
Sept	493.6	497.4	493.6	495.0
Nov	481.0	485.4	481.0	482.0
Jan	488.4	492.0	488.4	489.0
March	497.0	500.0	497.0	497.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	144.0	144.5	143.5	144.0
March	143.6	144.3	143.5	143.5
May	143.4	144.1	143.3	143.6
July	143.5	144.0	143.5	143.5
August	143.2	144.0	143.2	143.3
Sept	142.7	144.0	142.5	143.1
Oct	143.2	143.0	142.1	142.4
Dec	143.5	143.9	143.5	143.3
Jan	143.7	143.8	144.0	144.1

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Jan	15.87	15.84	15.68	15.86
March	15.91	16.12	15.90	16.12
May	16.19	16.35	16.15	16.37
July	16.31	16.50	16.27	16.47
August	16.22	16.38	16.20	16.32
Sept	16.07	16.20	15.98	16.25
Oct	15.95	16.10	15.93	16.04
Dec	15.99	16.10	15.90	16.06
Jan	15.96	16.20	15.96	16.00

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
March	281.2	281.6	278.2	278.2
May	265.2	265.4	263.2	263.0
July	246.4	246.6	246.0	246.4
Sept	247.4	249.0	246.6	246.4
Dec	255.0	255.2	253.4	253.2
March	261.2	261.4	278.2	278.2

SPOT PRICES—Chicago loose lard 16.00 (same) cents a pound. Handy and Harman silver bullion 555.50 (550.00) cents per troy ounce.

OIL

In thint reding Brent prices lost some of the ground made on Monday. US traders shared the European bullish feelings and when Nymex opened down Brent prices followed. February WTI *opened 21c down on Nymex and traded* 78c down at 1.30 pm EST. In the petroleum products market gas oil and naphtha prices fell as buyers began to lose confidence in the recently firm market. Fuel was firmer on end-user buying interest. Gasoline weakened as demand reduced — Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.25-17.35	−0.20
Brent Blend	18.55-18.60	−0.20
W.T.I. (1pm est)	16.60-16.65	−0.15
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	185-190	−1
Gas Oil	171-174	n/g
Heavy fuel oil	109-112	+0.5
Naphtha	168-170	−4

GAS OIL FUTURES

Month	Yestrdy's close	+ or −	Business Done
	US $ per tonne		
Feb	168.25	−5.25	177.00-68.50
Mar	165.75	−4.25	170.00-65.50
Apr	157.00	−4.50	165.00-57.00
May	155.00	−4.75	158.50-52.50
June	156.00	+0.50	158.00

Turnover: 4,907 (5,330) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close	+ or −	Business Done
	US $ per tonne		
Feb	110.00	−5.50	115.00-109.50
Mar	106.50	−5.00	109.50-105.50
Apr	102.00	−5.75	—

Turnover: 137 (8) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.16p per kg lw (+2.32). GB—Sheep 189.04p per kg est dcw (−6.87). GB—Pigs 75.13p per kg lw (+2.62).

SUGAR

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
Mar	148.4-148.6	147.0-147.4	148.4-146.0
May	152.6-152.8	155.0-151.4	153.8-149.8
Aug	158.8-157.4	158.0-158.8	157.2-155.8
Oct	160.2-161.0	158.6-159.8	159.8-157.8
Dec	163.2-165.8	161.8-164.8	—
Mar	175.0-174.4	171.0-174.8	—
May	175.8-186.6	175.8-179.8	—

LONDON DAILY PRICE—Raw sugar $155.50 (£104.00), down 50c (down £1.00) a tonne for January-February delivery. White sugar $184.00, down $2.00.

Sales: 1,917 (2,444) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £209.00 a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for January 12: Daily price 6.08 (6.05); 15-day average 5.62 (5.47).

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,290-2,360 (2,300-2,360).

BISMUTH: European free market, min 99.99 per cent, $ *per lb, tonne lots in warehouse,* 2.10-2.25 (2.15-2.25).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.87-0.92 (0.85-0.90), sticks, 0.87-0.92 (0.85-0.90).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 6.20-6.40 (6.20-6.35).

MERCURY: European free market, min 99.99 per cent, $ *per flask, in warehouse, 160-170* (158-170).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.08-3.12 (3.05-3.10).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.20 (4.80-5.10).

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif, 35-46 (32-46).

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.48-2.53 (same).

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00 (same).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound weak

THE DOLLAR fell to its lowest closing level against the D-mark since October 24 1980, without any sign of action by the West German Bundesbank to reverse the trend. Dealers were wary of putting very strong downward pressure on the dollar, for fear that European central banks would follow the Bank of Japan, which was reported to have bought a record amount of dollars for a single day in Tokyo, and may have continued to intervene through foreign central banks, including the US Federal Reserve.

Demand for the D-mark was very strong, on suggestions that the German currency will have to be revalued again soon, and that the weekend realignment of the European Monetary System was not big enough.

There were also forecasts in the market that the US trade deficit in December will exceed $20bn, following a record shortfall of $19.2bn in November. The December figure will be announced on January 30.

The dollar fell to DM 1.8755 from DM 1.8905; to FFr 6.27 from FFr 6.2875; to SFr 1.5750 from SFr 1.5805; and to Y155.75 from Y156.70.

On Bank of England figures the dollar's index fell to 106.4 from 106.9, the lowest level since January 4 1982.

STERLING—Trading range against the dollar in 1986-87 is 1.5555 to 1.3700. December average 1.4387. Exchange rate index fell 0.4 to close at the day's low of 68.5, compared with 74.6 six months ago.

Sterling weakened with the dollar against other major currencies. The cold weather in Europe underpinned North Sea oil prices, but the pound failed to gain much benefit, as demand built up again for the D-Mark. Sterling fell to a record low of DM 2.7950 from DM 2.82, and also declined to FFr 9.3450 from FFr 9.3775; to SFr 2.3475 from SFr 2.3575; and to Y232.25 from Y233.75. On the other hand the pound was little changed at $1.4900-1.4910, compared with $1.4910-1.4920.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8755. December average 1.9890. Exchange rate index 147.2 against 135.9 six months ago.

The D-Mark rose sharply against the dollar, as European central banks stood back from the market. Dealers were nervous that the Bundesbank and other European central banks would follow the lead of the Bank of Japan and intervene on a very large scale, but this was not the case. The dollar fell to DM 1.8740 at the Frankfurt close from DM 1.8980. At the Frankfurt fixing the Bundesbank did not intervene when the dollar was set at DM 1.8810, compared with DM 1.9080 on Monday. The lowest ever fixing for the dollar was DM 1.7062 on January 3, 1980, but dealers in Frankfurt did not expect an early test of that level, with the next technical resistance point seen at DM 1.8650.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 152.35. December average 162.19. Exchange rate index 208.9 against 212.5 six months ago.

The yen advanced against the dollar in Tokyo in spite of heavy intervention by the Bank of Japan. Dealers estimated the central bank bought a record $2.5bn, bringing total intervention in the last three trading days to over $5bn, but without succeeding in stemming the dollar's decline. The US currency touched a low of Y155.65 on heavy speculative selling, the lowest level since October 22, and closed at Y156.00 in Tokyo, compared with Y158.05 on Monday. Dealers suggested the pressure on the dollar was the result of the record November US trade deficit, and suggestions that the December figure will show no improvement, while the weekend realignment of the EMS was regarded as insufficent to prevent continued demand for the D-Mark.

£ IN NEW YORK

Jan 13	Latest	Previous Close
£ Spot	1.4915-1.4925	1.4865-1.4875
1 month	0.56-0.53 pm	0.69-0.68 pm
3 months	1.79-1.74 pm	1.74-1.71 pm
12 months	6.35-6.25 pm	6.30-6.20 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		Jan. 13	Previous
8.30	am	68.8	68.9
9.00	am	68.9	68.9
10.00	am	68.7	68.8
11.00	am	68.7	68.8
Noon		68.7	68.8
1.00	pm	68.6	68.8
2.00	pm	68.6	68.8
3.00	pm	68.5	68.8
4.00	pm	68.5	68.9

CURRENCY RATES

Jan. 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.833226	0.733083
U.S. Dollar	5.5	1.24134	1.08643
Canadian $	8.49	*	1.48710
Austrian Sch.	4	16.4699	14.5679
Belgian Franc	8½	48.3471	42.7596
Danish Krone	7	8.91405	7.85106
Deutsche Mark	3½	2.33496	2.06219
Neth. Guilder	4½	2.63164	2.32629
French Franc	9½	N/A	6.86893
Italian Lira	12	N/A	1464.25
Japanese Yen	3.0	193.649	171.060
Norway Krone	8	9.01998	7.95605
Spanish Peseta	—	160.816	142.009
Swedish Krona	7½	8.29960	7.32384
Swiss Franc	4	1.95799	1.72711
Greek Drach.	20½	N/A	148.971
Irish Punt	—	N/A	0.767110

*C$/SDR rate for Jan. 12; 1.68562

CURRENCY MOVEMENTS

January 13	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.5	−25.4
U.S. Dollar	106.4	+0.5
Canadian Dollar	77.1	−12.1
Austrian Schilling	137.9	+10.4
Belgian Franc	100.2	−3.8
Danish Krone	92.2	+3.3
Deutsche Mark	147.2	+21.6
Swiss Franc	170.9	+22.2
Guilder	134.8	+14.8
French Franc	71.4	−12.9
Lira	48.3	−16.1
Yen	208.9	+53.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Jan. 13	£	$
Argentina	1.9035-1.9110	1.2790-1.2830
Australia	2.2630-2.2660	1.5230-1.5245
Brazil	22.73-22.86	15.283-15.359
Finland	6.9365-6.9605	4.6720-4.6740
Greece	201.61-205.15	135.30-137.59
Hong Kong	11.6025-11.6135	7.7690-7.7720
Iran	110.70*	74.55*
Korea (Sth)	1272.45-1284.00	855.70-863.50
Kuwait	0.4345-0.4350	0.2920-0.2925
Luxembourg	57.95-58.05	38.85-38.95
Malaysia	3.8545-3.8600	2.5770-2.5790
N. Zealand	2.7780-2.7855	1.8690-1.8740
Saudi Ar.	5.5785-5.5835	3.7490-3.7500
Singapore	3.2200-3.2225	2.1555-2.1575
S. Af. (Cm)	3.0840-3.1075	2.0825-2.0865
S. Af. (Fn)	6.5390-6.8395	4.3955-4.5975
Taiwan	52.44-52.70	35.30-35.40
U.A.E.	5.4640-5.4690	3.6720-3.6730

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7596	+0.71	+0.71	±1.5344
Danish Krone	7.85212	7.86635	+0.18	+0.18	±1.6404
German D-Mark	2.05853	2.06219	+0.18	+0.18	±1.0981
French Franc	6.90403	6.89853	−0.08	−0.08	±1.3674
Dutch Guilder	2.31943	2.32619	+0.29	+0.29	±1.5012
Irish Punt	0.768411	0.767110	−0.17	−0.17	±1.6684
Italian Lira	1483.58	1466.86	−1.13	−1.13	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4850-1.4940	1.4900-1.4910	0.67-0.62c pm	5.19	1.75-1.70 pm	4.63
Canada	2.0335-2.0424	2.0375-2.0385	0.61-0.51c pm	3.30	1.45-1.30 pm	2.70
Netherlands	3.14½-3.18½	3.14½-3.15½	1⅝-1⅜c pm	5.71	4⅛-3⅞ pm	5.16
Belgium	57.78-58.64	57.95-58.05	9-2c pm	1.14	41-31 pm	2.48
Denmark	10.63¾-10.75½	10.71½-10.72½	1⅛-⅜ ore pm	0.92	2⅝-⅜ pm	0.63
Ireland	1.0375-1.0440	1.0440-1.0450	0.25-0.40 p dis	−3.75	0.55-0.85 dis	2.69
W. Germany	2.78¼-2.82¼	2.81½-2.82½	1⅞-1⅞ pf pm	6.98	4⅛-4⅞ pm	6.08
Portugal	213.53-215.14	213.53-214.42	112-161c dis	−7.65	240-336 dis	−5.38
Spain	192.03-194.07	192.03-192.30	30-50 c dis	−2.50	85-120 dis	−2.13
Italy	1981½-2001½	1986¼-1987¼	par-3 lire dis	−0.91	par-4 dis	−0.40
Norway	10.75-10.85	10.75-10.76	4⅛-5⅝ ore dis	−5.44	15¾-16¼ dis	−5.95
France	9.34½-9.38¼	9.34-9.35	2-1¼ c pm	2.90	5-3⅞ pm	1.90
Sweden	9.90½-9.99	9.91-9.92	1⅞-⅞ ore pm	1.46	3⅞-2 pm	2.08
Japan	231½-233¼	231½-232½	1½-1¼ y pm	7.10	3⅞-3⅜ pm	6.11
Austria	19.61-19.89	19.61-19.64	9⅝-8⅞ gro pm	5.62	25⅝-22⅞ pm	4.97
Switzerland	2.33¼-2.36½	2.34¼-2.35¼	1⅞-1½ c pm	8.30	4⅞-4 pm	7.02

Belgian rate is for convertible francs. Financial franc 58.85-58.95. Six-month forward dollar 3.35-3.30 c pm. 12-month 6.30-6.20 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Jan. 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4850-1.4940	1.4900-1.4910	0.67-0.62c pm	5.19	1.75-1.70 pm	4.63
Ireland†	1.4250-1.4370	1.4336-1.4345	1.20-1.00c pm	9.94	3.20-2.65 pm	8.19
Canada	1.3652-1.3674	1.3658-1.3662	0.21-0.24c dis	−1.98	0.64-0.69 dis	−1.95
Netherlands	2.1110-2.1350	2.1125-2.1135	0.09-0.07c pm	0.45	0.28-0.24 pm	0.49
Belgium	38.75-39.30	38.85-38.95	12-15c dis	−4.16	19-24 dis	−2.21
Denmark	7.13½-7.20½	7.14¼-7.14¾	2.45-3.35 ore dis	−4.86	6.80-7.70 dis	−4.05
W. Germany	1.8700-1.8925	1.8750-1.8760	0.30-0.27pf pm	1.82	0.74-0.69 pm	1.52
Portugal	143½-144	143¼-143¾	135-165c dis	−12.53	330-390 dis	−10.03
Spain	128.75-129.95	128.80-128.90	100-125 c dis	−10.44	240-290 dis	−8.20
Italy	1330-1341	1332¾-1333¾	5½-8½ lire dis	−6.28	16-18 dis	−5.08
Norway	7.21¼-7.27	7.21¼-7.21¾	6.40-7.20ore dis	−11.27	18.70-19.50dis	−10.55
France	6.25¾-6.31	6.26¾-6.27¼	2.00-3.00c dis	−3.82	5.40-6.40 dis	−3.75
Sweden	6.64¼-6.69	6.65-6.65½	1.75-2.25 ore dis	−3.60	5.70-6.30 dis	−3.60
Japan	155.25-156.20	155.70-155.80	0.29-0.26y pm	2.12	0.72-0.69 pm	1.81
Austria	13.15-13.32	13.15-13.20	0.5 pm-0.1gro pm	0.27	1.75-0.25 pm	0.30
Switzerland	1.5650-1.5840	1.5745-1.5755	0.45-0.38c pm	3.09	0.97-0.92 pm	2.40

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.45-39.55.

EURO-CURRENCY INTEREST RATES

Jan. 13	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅝-10⅞	10⅝-10⅞	11⅛-11¼	11-11¼	10⅞-10⅞	10⅝-10⅞
U.S. Dollar	6⅛-6⅞	6⅛-6⅞	6⅛-6¼	6⅛-6⅞	6⅛-6⅞	6⅛-6⅞
Can. Dollar	8-8¼	8-8¼	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛	7⅞-8⅛
D. Guilder	4-4¼	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5½-5⅝
Sw. Franc	2-2¼	1⅞-2	3⅛-3⅜	3⅝-3¾	3⅞-3⅞	3⅝-3¾
Deutschmark	4⅛-4½	4⅛-4½	4½-4⅝	4½-4⅝	4⅞-4⅞	4⅞-4⅞
Fr. Franc	9½-10	10¼-11¼	9½-10	9⅞-10⅛	9⅛-9⅝	8¾-9
Italian Lire	10-12	11-13	11-13	11¼-12	11-11½	10½-11¼
B. Fr. (Fin.)	11½-12	9-10	8-8¼	7⅞-8	7½-7¾	7⅜-7⅝
B. Fr. (Con.)	30-40	12½-15½	10¼-11¼	8⅞-9	7¾-8¼	7⅞-8⅛
Yen	4-4⅛	4⅛-4⅞	4⅛-4⅞	4⅛-4⅞	4⅛-4⅞	4⅛-4⅞
D. Krone	12-12⅝	12-12⅝	12⅛-12⅝	11½-11¾	11½-11¾	10⅞-11½
Asian $ (Sing.)	6⅛-6⅜	6⅛-6⅜	6⅛-6⅜	6⅛-6⅞	6-6⅛	6-6⅛

Long-term Eurodollars: Two years 6⅛-6½ per cent; three years 6⅝-6⅞ per cent; four years 7⅛-7½ per cent; five years 7⅜-7⅝ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan. 13	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.491	2.795	232.3	9.345	2.348	3.150	1987.	2.036	58.00
$	0.671	1	1.875	155.8	6.270	1.575	2.113	1333.	1.366	38.91
DM	0.358	0.533	1	83.09	3.343	0.840	1.127	710.8	0.728	20.75
YEN	4.306	6.418	12.03	1000.	40.24	10.11	13.56	8554.	8.767	249.7
F Fr.	1.070	1.595	2.991	248.5	10.	2.512	3.371	2126.	2.179	62.07
S Fr.	0.426	0.635	1.191	98.94	3.981	1.	1.342	846.3	0.867	24.71
H Fl.	0.317	0.473	0.887	73.73	2.967	0.745	1.	630.7	0.646	18.41
Lira	0.503	0.750	1.407	116.9	4.704	1.182	1.586	1000.	1.025	29.19
C $	0.491	0.732	1.373	114.1	4.590	1.153	1.547	975.8	1.	28.49
B Fr.	1.724	2.570	4.819	400.4	16.11	4.047	5.431	3425.	3.511	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Record gilt volume

GILT PRICES fell sharply in the London International Financial Futures Exchange yesterday with more than 35,000 lots traded. This represented an 11.7 per cent increase over the previous record with the turnover valued at £1¾bn. The decline was a reflection of the market's concern, rather belatedly according to some dealers, over sterling's decline. Although it has remained steady against the dollar, the latter has been falling sharply.

Consequently the pound fell to a record low against the D-Mark yesterday and its exchange rate index was the lowest for nearly a month.

The long gilt opened at 114-27 for March delivery down from 115-05 on Monday and fell to a low of 113-16, an important resistance level, which it held. Subsequent profit taking brought the price back to a closing level of 113-29. The market's attention now seems to be firmly fixed on sterling and the performance of gilts will depend on sterling's ability to try to consolidate in the face of a declining dollar.

Three-month sterling deposits acted in much the same way with the March price falling to a low of 89.19 from an opening of 89.30 before closing at 89.21 down from 89.35 on Monday. With sterling losing ground, any lingering hopes of lower cash rates disappeared. However, later dated contracts were marked down to a lesser extent, suggesting that the market viewed the longer term with lightly less pessimism.

US Treasury bonds and Euro-dollars were a little weaker on the dollar's fall but there appeared to be little follow through selling. In addition a persistently high overnight Federal funds rate was depressing values.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	13.58	14.13	0.00	0.03
102	11.58	12.17	0.00	0.07
104	9.58	10.24	0.00	0.14
106	7.60	8.37	0.02	0.27
108	6.01	6.58	0.07	0.48
110	4.16	5.26	0.22	1.16
112	2.46	4.05	0.52	1.59
114	1.36	2.63	1.42	2.53

Estimated volume total, Calls 1,485 Puts 1,218
Previous day's open int. Calls 34,463 Puts 7,532

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	10.26	9.49	0.00	0.11
92	8.26	7.61	0.00	0.23
94	6.29	6.17	0.03	0.43
96	4.37	4.49	0.11	1.11
98	2.59	3.31	0.33	1.57
100	1.40	2.28	1.14	2.54
102	0.49	1.40	2.23	4.02
104	0.19	1.03	3.57	5.29

Estimated volume total, Calls 230 Puts 273
Previous day's open int. Calls 1,241 Puts 242

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Jan	Calls—Last Feb	Puts—Last Jan	Puts—Last Feb
16250	15.70	15.77	0.00	0.07
16500	13.20	13.37	0.00	0.17
16750	10.70	11.05	0.00	0.35
17000	8.23	8.87	0.03	0.67
17250	5.84	6.88	0.14	1.18
17500	3.70	5.14	0.50	1.94
17750	2.00	3.68	1.30	2.98

Estimated volume total, Calls 26, Puts 45
Previous day's open int. Calls 306 Puts 117

MONEY MARKETS

UK rates steady

INTEREST RATES were little changed in London yesterday. Some rates may have shed a sixteenth of a point earlier in the day, helped by firm oil prices but sterling's decline during the day to a record low against the D-Mark prevented any development of earlier ideas about the possibility of lower rates. Three-month interbank money was quoted at 11⅛-10⅞ per cent, unchanged from Monday. Overnight money opened at 11⅛-10⅞ per cent and eased to 10¼ per cent before climbing to 12 per cent.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a shortage of around £100m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £262m and banks' balances brought forward £55m below target. These were partly offset by Exchequer transactions which added £85m and a fall in the note circulation of £130m. The shortage was revised to £150m and the Bank gave assistance in the morning of £42m through outright purchases of £12m of eligible bank bills in band 2 at 10⅞ per cent; £5m in band 3 at 10¾ per cent and £25m in band 4 at 10⅞ per cent.

The Bank gave additional assistance in the afternoon of £45m comprising outright purchases of £5m of local authority bills and £40m of eligible bank bills all at 10⅞ per cent. Late help came to £10m, making a total of £97m.

In Frankfurt call money fell to as low as 4.00-4.20 per cent as funds continued to reach the domestic money market. Further intervention by the Bundesbank to support the dollar over the last few days has meant that the prospect of DM 12.4bn leaving the market today as a sale and repurchase facility expires will be largely offset by these inflows. At the same time there was uncertainty in the market following comments yesterday by various officials about the possibilities of a reduction in West German interest rates.

However, any speculation along these lines would provide a direct contradiction to the Bundesbank's determination to control excess money supply growth through keeping money conditions tight.

However, the dollar's renewed weakness has accelerated a rise in the D-Mark, causing concern about how long the new EMS parities will last.

In Paris the Bank of France added funds to the domestic money market by arranging sale and repurchase agreements on Treasury bills and first category paper at 9½ per cent, for repayment today. In addition the Bank left its money market intervention rate unchanged at 8 per cent when injecting funds through further purchases of first category paper.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 13) 3 months U.S. dollars: bid 6⅛ | Offer 6¼

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day.

MONEY RATES

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

CURRENCY FUTURES

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	99	Exch. 13¼pc 1987	100		—	—
[illegible]	97	Treas 10½pc Cv '87	100 xd	+	10.25	10.83
[illegible]	92	Exch 2½pc 1987	99	+	2.52	9.55
[illegible]	97	Exch. 10½pc 1987	99		10.52	10.98
[illegible]	93¾	Funding 6½pc 85-87	99	−	6.57	9.97
[illegible]	96	Treas. 10pc 1987	99	+	10.03	10.66
[illegible]	90	Treas 3pc 1987	97 xd	−	3.07	8.00
[illegible]	99	Treas. 12pc 1987	100	−	11.88	10.62
99¾	92	Treas 7¾pc 1985-88‡‡	97 xd	−	7.93	10.08
104	96	Exch 10½pc '88	99	−	10.52	10.64
102	95	Treas 9½pc Cv '88	98	−	9.87	10.71
[illegible]	86	Transport 3pc '78-88	93	−	3.22	7.97
[illegible]	93	Treas. 9½pc '88	98	−	9.69	10.71
[illegible]	98	Treas 11½pc 1989	101	−	11.36	10.79
[illegible]	93	Treas 9½pc Cnv 1989	97	−	9.74	10.72
[illegible]	82	Treas 3pc 1989	89	−	3.35	8.01
[illegible]	97	Treas 10½pc 1989	99	−	10.55	10.77
[illegible]	94	Exch 10pc 1989	98 xd	−	10.16	10.73
[illegible]	97	Exch 11pc 1989	100	−	10.94	10.72
[illegible]	84½	Treas 5pc 1986-89	89	−	5.56	9.21
[illegible]	94	Exch 10¼pc Cv '89	100	−	10.20	10.03
[illegible]	103	Treas 13pc 1990‡‡	105 xd	−	12.31	10.76
[illegible]	97	Exch 11pc 1990‡‡	100 xd	−	10.92	10.75
[illegible]	101	Exch. 12½pc 1990	104	−	11.96	10.77
[illegible]	79	Treas. 3pc 1990	84	−	3.55	8.45
[illegible]	89	Treas 8¼pc 1987-90‡‡	94	−	8.74	10.24
[illegible]	93	Treas 10pc Cv 1990	97	−	10.24	10.75
[illegible]	76	Exch 2½pc 1990	81	−	3.07	6.21
[illegible]	99	Treas 11¾pc 1991	103	−	11.38	10.74
[illegible]	83	Funding 5¾pc '87-91‡‡	87	−	6.58	9.42
[illegible]	79	Treas. 3pc 1991	80	−	3.72	8.44
130	95	Treas 10pc Cv '91	100	−	9.98	9.97
110	96	Exch. 11pc 1991	101	−	10.84	10.58
		Five to Fifteen Years				
113¾	103½	Treas 12¾pc 1992‡‡	108 xd	−	11.76	10.55
107	92	Treas 10pc 1992	97	−	10.23	10.56
109	94	Treas 10½pc Cv 1992‡‡	99	−	10.53	10.56
117	101	Exch. 12¼pc '92	106	−	11.51	10.69
123	106	Exch 13½pc 1992	111	−	12.08	10.67
108	93	Treas 10pc 1993‡‡	97	−	10.29	10.52

Over Fifteen Years

Undated

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INDUSTRIALS—Continued

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	Metsec 10p	78		12.4	2.6	4.4	12.0
78½	45	Mitchell Cotts	96	–1	1.5	2.1	3.2	17.9
128	81	Monks & Crane 10p	114		2.7	2.9	3.3	13.9
323	210	Morgan Crucible	308		10.5	1.5	3.8	21.1
23½	15½	Mowlem (W) F.A. 20p	[illegible]	+2	—	—	—	—
157	65	Myson Grp 10p	142		2.63	2.6	2.4	19.6
365	213	NMW Computers	340	+20	6.0	3.0	3.5	13.8
141	27	Nash Inds	128		1.5	♦	1.7	♦
27½	12½	Neil & Spencer 10p	17		—	—	—	—
39	28	Newman Inds 10p	36		10.8	1.5	3.1	27.9
134	65	Noble & Lund 10p	91		4.7	4.3	1.2	30.0
65	39	Nolton	49	+1	1.4	2.9	3.4	14.6
150	96	Norank Systems 5p	139	+5	1.5	—	1.5	17.4
286	187	Norcros	271	+1	9.3	2.3	4.8	12.4
217	49	Nu-Swift 5p	217		3.5	2.1	2.3	29.2
£356½	£228	OCE 9pc Cnv 1983-92	[illegible]		9%	—	2.9	—
118	80	Oakwood Grp	111	+10	5.6	1.3	‡	15.4
290	173	Office & Elect	178	+3	8.5	2.9	6.7	7.3
34	26	Omnitech 1p	30	–1	—	—	—	—
36	18	Optometrics $0.01	23		—	—	—	—
890	500	Oriflame £1	825	–25	28.5	2.1	4.9	16.0
10	3	Overstone 12½c	5		3.2	1.9	20.0	2.6
142	65	PCT Grp 10p	125		4.2	—	5.3	—
£20½	£13¾	PLM 'B' Sk 25	£17¾	–1	23.2%	0.3	3.5	—
255	160	Pacer Systems $0.01	365	–5	4.0	4.3	1.6	14.5
78	44	Pacific Sales 10p	45	–3	3.0	1.4	9.4	10.7
528	246	Parker Knoll 'A'	525	+26	12.0	3.2	3.2	13.8
222	83	Parkfield Group 2p	220		3.6	4.2	2.3	14.0
53	17	Paxton Intl	28		—	—	—	7.4
£138	£64½	Do 11pc Cnv Ln '94-02	690	+2	11%	—	[illegible]	—
617	393	Pearson	603	+7	20.8	2.8	2.3	19.6
50	12	Peek Holdings 3p	42		—	—	—	—
176	88	Peerless	160	+4	6.3	1.5	5.5	14.9
519	141½	Pentland 10p	495		0.75	22.4	0.2	28.1

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Miscellaneous

1986/87 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
147	30	Anglo-Dominion	108	–16	—	—	—
		For Anglo Utd see Buildings					
80	25	Colby Res Corp	24½	–2½	—	—	—
300	115	Cons. Murch. 10c	£13½	....	Q60c	4.4	9.9
48	24	Emex Ind. Ir10p	48	+1	—	—	—
172	70	Greenwich Res	171	–1	—	—	—
327	165	Highwood Res	231	+9	—	—	—
£20¾	£13½	Homestake Mining $1	£18	+¾	Q20c	—	0.8
310	156	McFinley Red Lake	174	+4	—	—	—
285	113	Musto Explorations	147	–1	—	—	—
51	28	New Sabina Res C$1	38	–6½	—	—	—
353	200	Northgate C$1	319	+11	—	—	—
790	513	RTZ	752	+4	22.0	2.4	4.1
£144	£115	Do. 9½pcLn '95-2000	£136¼	+4	Q9½%	15.5	16.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Albany Inv 20p	62		Fin. 13% 97/02	£101¼	+½
Craig & Rose £1	£14¾	....	Arnotts	405	+5
Finlay Pkg. 5p	53		CPI Hldgs	55	
Holt (Jos) 25p	835		Carroll Inds.	146xd	+11
Ind Stm. £1	76		Dublin Gas	10	
IRISH			Hall (R. & H.)	101	–1
Fund 11¼% 1988	£97½	+1/8	Heiton Hldgs.	38	+3
Nat. 9¾% 84/89	£92½	+¼	Irish Ropes	145xd	
			Unidare	310	+5

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 22	Jan 8	Jan 9	Jan 19
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16

* New time dealings may take place from 9.00 am two business days earlier.

British Gas features strong energy sector but Gilts weaken behind sterling index

The Arctic weather conditions now gripping most of Europe made their impact on the UK securities markets yesterday when a powerful advance in oil stocks took the equity market to yet higher ground.

With world oil prices challenging $19 a barrel, there was heavy demand for Britoil, British Petroleum and Shell, while British Gas rose to its highest level since the public flotation.

Traders felt the effects of the icy weather in the UK in other ways—market trading began to falter in late afternoon as City men braced themselves for agonisingly difficult homeward journies on London's commuter lines.

The equity market opened strongly after the latest public opinion polls reported favourably on the Government's chances of re-election. It was soon clear that oil shares, together with those of exporting companies likely to benefit from the realignment of European currencies, were providing the impetus.

At its best, the FT-SE 100 index was nearly 19 points up, but the gain was sharply cut back towards the close as Wall Street made an uncertain start. The final reading of 1763.3 on the FT-SE 100 showed a net gain of 7.7 to another new peak.

A gain of 4.5 took the FT ordinary index to 1393.9 putting it within 30 points of the all-time high reached in April last year.

UK institutions were heavy buyers across the range of the market. With North Sea oil prices firmly established above $18 a barrel, Britoil stood out with a strong price gain and turnover of 13m shares. British Gas (115m shares), jumped 2½ to 69½, with all marketmakers signalling willingness to trade in large blocks of stock. Equally strong were British Petroleum (7.3m) and Shell (3.3m). Gains were reduced in late trading.

Among the blue chip industrials, Imperial Chemical starred as domestic investors responded to the likely profit benefits of the sharp fall in sterling/DM rate. ICI attracted European buyers also, as a major Continental chart firm predicted that the shares will rise to £13. Also wanted on chart considerations, Beecham moved up strongly.

The gilt-edged market, however, was unsettled by the fall in the sterling exchange rate index, and prices tumbled by 1½ points at the longer end. Selling was steady rather than heavy, and traders ascribed the downward move to profit-taking after the pre-Christmas upturn.

However, the reaction in Gilts indicated underlying nervousness towards the sterling rate. Mr K. Skeoch, economist at James Capel, London stockbroker, believes the pound could come under pressure in the spring when demand for oil weakens.

Gilts also took more heed than equities of the report yesterday that the United Arab Emirates have sharply exceeded Opec-agreed production quotas.

Midland easier

Apart from Midland which relinquished a further 2 to 582p on fund-raising worries, the major clearing banks made good progress. Inter market-maker activity in Lloyds left the shares 15 higher at 467p, after 469p, while Barclays added 10 at 527p. NatWest closed 10 dearer at 559p, with sentiment here helped by news of the record profits achieved by its NatWest Bank USA subsidiary. TSB hardened a fraction to 76p; the preliminary results are scheduled for January 29. Merchant banks were quieter than of late although a firm undertone was maintained. Morgan Grenfell, a rejuvenated market of late on Nomura Securities bid speculation advanced 5 more to 405p; the group has set up an internal committee to review its entire organisational structure and management reporting systems. Hill Samuel remained excited by the stakes recently taken in the company by Australasian groups, NZI and FAI-Insurances and improved a penny more at 481p. Benchmark added 2 more at 59p on further consideration of the merger with Charlton Seal Dimmock, a London and Manchester-based firm of stockbrokers. Among Hire Purchases, Provident Financial moved up 8 at 311p on revived bid hopes.

Fears of heavy claims arising from the current spell of arctic weather conditions in the UK continued to deter support of Composite Insurances. Consequently, prices drifted lower with Commercial Union closing a further 8 off at 282p and Royals 14 lower at 854p. Lloyds Broker C. E. Heath lost 11 to 447p following news of the top-level boardroom reshuffle, while Equity and Law rose 3 afresh at3 33p on further consideration of the increased stake recently taken in the company by Ron Brierley's IEP Securities.

Breweries, both national and regional, lacked a decided trend. Bass were relatively active and touched 780p during the morning session, but fell away later to close 2 cheaper on balance at 771p as analysts were apparently unimpressed by the company's annual presentation. Easier values also prevailed for Whitbread A, 4 off at 277p and Guinness, finally 2 down at 296p, the latter clearly nervous ahead of today's board meeting. Among Regionals, Greenall Whitley, supported recently following a favourable mention, dipped 5½ to210p, while profit-taking prevailed in perennial takeover favourite Vaux, 20 off at 505p. East Anglia's Greene King, on the other hand, found occasional interest to gain 5 to 281p.

After Monday's rather patchy performance, buyers showed renewed interest in leading Buildings and Construction issues showed up well. Barratt Developments were favoured, at 168p, up 6, while George Wimpey firmed 2 to 205p. Costain moved up 4 to 550p. John Mowlem, however, softened 2 to 370p on news that the company had realised £55m after expenses through the sale of Glasgow Stockholders Trust. Helical Bar rose 7 to 488p as TR Property Investment disclosed a 5.8 per cent stake. Anglia Secured Homes attracted fresh support at 342p, up 19 and Taylor Woodrow advanced 6 to 321p. Elsewhere, buyers returned for Redland which rose 5 to 452p, while RMC reflecting a stock shortage, gained 7 to 724p. Recently-overlooked Rugby Portland Cement put on 3 to 195p, but Blue Circle encountered profit-taking and settled 8 lower at 718p.

ICI continued to attract domestic and US support ahead of the results due next month and rose 12 to 1,181p, after 1,186p. Other bright spots in the Chemical sector included Wardle Storeys, 10 higher at 381p and Hickson International, 17 to the good at 473p. Rentokil moved up 10 to 155p and Allied Colloids also rose 10 to 256p. Coalite gained 10 to 311p on increased sales hopes as cold weather continued to sweep the country.

Dixons nervous

Retailers finished no better than mixed—feelings that the current cold snap could have a severe impact on sales obviously played its part in suppressing investment enthusiasm. A lively business developed in Dixons—some 9m shares changed hands—amid strong rumours that the announcement of first-half figures today could well be accompanied by a vendor placing to finance an oft-mooted US acquisition. Dixons finally settled 13 cheaper at 336p, while suggestions that the company is set to dispose of its holding in Woolworth—the remains of last year's abortive bid—left the latter 15 down at 685p. Coats Viyella, still responding to a broker's bullish circular, advanced 4 in a relatively narrow market to 520p.

Plessey returned to prominence in Electricals, rising 7 to 197p on institutional support during the course of an active session as over 11m shares changed hands. BICC, meanwhile, continued to reflect a broker's recommendation with a fresh gain of 5 at 305p. Elsewhere, speculative buying was evident in Farnell which gained 10 at 218p, Oxford Instruments 9 to the good at 420p and Unitech 6 better at 226p. Bowthorpe added 8 at 598p and Western Selection put on 6 at 81p.

Price movements in Engineerings generally favoured holders. Speculative buying lifted Matthew Hall 9 to 171p and F. S. Ratcliffe 7 to 127p. Tyzack Turner remained a firm market at 193p, up 10, while Hobson improved 4 afresh at 54p. William Boulton edged forward a penny at 16½p.

Food Manufacturers gave another bright performance. Tate and Lyle rose 8 to 605p. Unigate added a penny to 338p. Retailers showed Tesco 3 higher at 428p as the company withdrew from the auction to acquire Safeway's UK supermarket operation. Argyll, still considered the favourite to conclude a deal with Safeway, eased 4 to 341p.

Leading Hotels failed to participate in the latest market upsurge. Grand Metropolitan shaded 2 to 453p, while Trusthouse Forte, annual results due tomorrow, lost 3 at 181p. Ladbroke shed 9 to 388p in the wake of the latest US property acquisition of some £74m. Norfolk Capital, in talks with Scottish and Newcastle Breweries, eased a fraction to 31p.

Beecham better

Beecham met with US support and touched 470p before closing 10 higher on balance at 465p. Other miscellaneous industrial leaders closed irregular after a moderate business. Still awaiting the Monopolies Commission decision on the BTR bid, Pilkington moved up 6 at 631p; BTR added 8 at 293p. Elsewhere, Lilleshall advanced 22 more for a two-day jump of 62 at 210p following news that merchant banker Mr John Leek had been appointed chairman and had acquired a 7 per cent stake in the company. Redfearn Glass added 11 more at 376p on further consideration of the near-7 per cent stake acquired by Australian concern, Overseas Strategic; Ron Brierley's Group already holds a 24.5 per cent stake in the company. Whitecroft gained 22 to 278p on the new office developments and J. H. Fenner firmed 5 to 155p after Press speculation about a possible bid for the company. News of the leasing joint venture left British Aerospace 7 dearer at 550p and Oakwood rose 18 at 111p following buying ahead of next Thursday's results. US buying lifted Reuters 9 to 588, with speculative improvements of 28 and 26 respectively were seen in Williams, 633p and Parker Knoll "A" 525p. Bid hopes resurfaced in Pearson which added 7 at 603p and Valor reflected the current freezing weather with a rise of 9 at 288p. NMW Computers gained 20 at 240p and British Bloodstock moved up 13 at 168p. Centreway Industries, on the other hand, lost 4 at 38p in reaction to a newspaper's "take-profits" advice.

Television issues made smart progress following excellent results from Television South. TS closed 5 higher at 282p, but more spectacular gains were seen in Thames, finally 19 up at 340p and LWT, 24 higher at 489p. Anglia rose 12 to 355p, TV-am 7 to 233p and Ulster TV 7 to 94p.

Motor Distributors continued to present a list of often substantial gains, most of which, however, were attributable to stock shortage. C. D. Bramall advanced 14 to 162p, while Lex Service put on 10 to 314p. T. Cowie, in receipt of "call" option business, closed 11 to the good at 228p. Elsewhere, Jaguar encountered sporadic offerings and dipped 4 to 583p, but renewed speculative interest lifted ERF 7 to 60p.

Paper/Printings provided a noteworthy firm feature in Hunterprint which advanced 10 to 358p following the sharply increased annual profits and dividend and consideration of the confident tenor of the chairman's accompanying statement. Occasional interest in a limited market resulted in a gain of 15 to 375p for James Cropper, but British Printing and Communication came on offer and dipped a few pence to 265p. A quiet session for Agencies prompted few movements of note, although Gold Greenless Trott, scheduled to reveal interim figures next Monday, fell 7 to 211p.

Leading Property issues moved narrowly, but secondary issues displayed several noteworthy movements. Imry settled 13 lower at 395p following details of the agreed merger with Arbuthnot Properties, while Shield fell 15 to 175p on disappointment with the half-year figures. Profit-taking clipped 8 from recent high-flyer Southend Stadium at 334p, but revived demand lifted Arlington 12 to 200p and Beechaugh 10 to 690p. Demand in a restricted market boosted Alfred Walker 9 to 115p, while Scottish Metropolitan added 3 to 98p following a broker's circular.

In Tobaccos, Bats responded to sizeable transatlantic interest and although below the best, still retained a gain of 12 at 510p; sentiment being additionally helped by the latest US Supreme Court ruling on personal injury law-suits. Rothmans International, on the other hand, eased a penny to 194p following a cautious circular from BZW who rate the shares as a "short-term sell."

Oils below best

Another firm showing by crude prices—February Brent was reportedly trading around $19 a barrel at one stage—saw the Oil majors race ahead. Prices tended to boil over late in the session, but gains still extended into double figures. BP touched 780p prior to closing a net 18 up at 776p, while Shell finished 15 higher at 1040p, after 1042p. Britoil attracted another brisk trade and advanced to 194p at one stage closing 9½ higher on balance at 189p. Ultramar rose 6 to 283p and Enterprise gained a similar amount at 204p. Triton revived strongly at 170p, up 17, and Petranol put on 6 to 48p.

Gold mining issues had an active, but finally disappointing session as the major international buyers turned their attentions to the activity in oil shares. South African gold producers opened firmly on the back of a still-buoyant bullion price. Heartened also by firmness in the rand, European buyers came in strongly in early rading on the London market.

However, gains were whittled away as buyers switched their attentions elsewhere, and prices began to settle lower. Selling was light, however, and the underlying tone remained fairly bullish.

Among the more active producer stocks, Vaal Reefs ended ⅝ lower at £60⅛, Hartebeest, down 13 at 377p ad Blyvoor, 9 off at 371p.

Elsewhere among mining-orientated issues, RTZ came back into the spotlight as its oil interests brought in several sizable buyers. Gold Fields, however, settled below recent levels, with trading activity much reduced after the recent speculative flurry.

FINANCIAL TIMES STOCK INDICES

	Jan. 13	Jan. 12	Jan. 9	Jan. 8	Jan. 7	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	84.57	85.23	85.31	85.21	84.57	80.61	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.25	91.47	91.43	91.29	90.74	86.70	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,393.9	1,389.4	1,386.4	1,372.5	1,353.0	1,094.3	1,425.9 (3/4/86)	1,094.3 (14/1/86)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	326.3	337.5	324.9	319.6	316.3	306.8	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.12	4.13	4.14	4.17	4.22	4.52				
Earnings Yld.%(full)	9.72	9.76	9.78	9.88	9.99	11.07				
P/E Ratio (net) (*)	12.63	12.58	12.54	12.43	12.29	11.21				
SEAQ Bargains (5 pm)	37,045	42,778	47,658	46,181	35,831	—				
Equity Turnover (£m)	—	1,319.81	2,080.16	1,338.87	1,155.04	520.14				
Equity Bargains	—	53,668	65,117	50,475	48,494	21,562				
Shares Traded (ml)	—	593.0	650.3	715.5	479.2	245.5				

S.E. ACTIVITY

Indices	Jan. 12	Jan. 9
Gilt Edged Bargains	115.7	152.1
Equity Bargains	347.7	421.9
Equity Value	2667.7	4204.5
5-Day Average		
Gilt Edged Bargains	139.9	144.7
Equity Bargains	341.1	325.1
Equity Value	2918.9	2732.0

♥ Opening 1394.3 | 10 a.m. 1399.9 | 11 a.m. 1404.8 | Noon 1400.6 | 1 p.m. 1401.4 | 2 p.m. 1403.2 | 3 p.m. 1401.1 | 4 p.m. 1396.5

Day's High 1405.1. Day's Low 1393.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil—12.17.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986/87

NEW HIGHS (299)

AMERICANS (3), CANADIANS (6), BANKS (7), BREWERS (3), BUILDINGS (21), CHEMICALS (10), STORES (9), ELECTRICALS (17), ENGINEERING (11), FOODS (10), HOTELS (2), INDUSTRIALS (43), INSURANCE (3), LEISURE (11), MOTORS (8), NEWSPAPERS (2), PAPER (6), PROPERTY (10), TEXTILES (8), TOBACCOS (1), TRUSTS (84), OILS (11), OVERSEAS TRADERS (3), PLANTATIONS (1), MINES (7).

NEW LOWS (8)

BRITISH FUNDS (1), Treas. 10pc Ln '94 (£40pd). AMERICANS (1), IBM Corp. BUILDINGS (1), Ward Group. STORES (1), Share Drug. ENGINEERING (1), Thyssen. FOODS (1), Cranswick Mill. INDUSTRIALS (1), Huntleigh Tech. TRUSTS (1), Transcont. Serv Warrants.

Traded Options

Limited attendance failed to deter enthusiasm for traded option positions. Dealers again reported a lively business throughout the session resulting in 58,671 contracts transacted. Much of the day's activity centred on British Gas which attracted 17,467 calls and 3,653 puts. British Telecom attracted 2,454 calls despite industrial dispute worries, while Guinness recorded 1,237 calls and 701 puts in front of today's board meeting. Operators also displayed interest in Bats, Hanson Trust and Lasmo.

Traditional Options

- First dealings Jan 5 Jan 19 Feb 2
- Last dealings Jan 16 Jan 30 Feb 13
- Last declaration Apr 2 Apr 23 May 7
- For Settlement Apr 13 May 5 May 18

For rate indications see end of Unit Trust Service

Extremely active conditions continued to prevail in options. Calls were transacted in Hampton Trust, Marks and Spencer, Sunleigh Electronics, Norfolk Capital, Eglinton, Bristol Channel Ship Repairers, Mitchell Cotts, Folkes Group, Walter Lawrence, Highland Distilleries, Britannia Security, Amstrad, Ashley Industrial Trust, Morgan Grenfell, Abaco, Aquarius, Dalgety, Johnson Matthey, Guinness, Evered, Ryan International, Lilleshall, W. A. Tyzack, Benlox, Lyle Shipping, Tricentrol, Western Mining, Jacksons Exploration, Share Drug, Mrs Fields, Jack L. Israel, T. Cowie, Hyman, Boots, London International, Bentalls, Bardsey, Apricot Computers, Dixons, United Guarantee, Riley Leisure, Argyle Trust, Dominion International, Stockley, Tomkinsons, Benchmark, Nolton, and Dares Estates. Puts were struck in Phoenix, Barclays and Commercial Union. Double options were taken out in Eglinton, Britannia Security, Amstrad, British Benzol, Ryan International, Skyline and Bristol Channel Ship Repairers.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,400	162	−1	Ladbroke	1,800	388	−9
Allied Lyons	5,400	345	—	Land Securities	761	343	−2
BAT	11,000	510	+12	Legal & Gen.	1,700	263	−2
BET	487	476	+8	Lloyds Bnk.	2,400	467	+15
BOC	679	390	−4	Lonrho	1,700	249	—
BTR	5,200	293	+8	Marks & Spncr	8,400	195	−1
Barclays	1,600	527	+10	Midland Bank	747	582	−2
Bass	1,100	771	−2	NatWest Bank	2,200	559	+10
Beecham	2,900	465	+10	Pearson	1,100	603	+7
Blue Circle	1,500	718	−8	P & O	337	546	−7
Boots	3,100	247	−5	Pilkington Bros	1,100	631	+6
Brit. Aero	1,600	550	+7	Plessey	11,000	197	+7
Brit. Gas	117,000	69½	+2½	Prudential	996	834	−4
Britoil	13,000	189	+9½	Racal	4,500	184	−2
BP	7,500	776	+18	Rank Org	1,700	559	−7
Brit. Telecom	7,100	216	−1	Reckitt & Col	119	917	−1
Burton	3,500	290	—	Reuters	1,400	588	+9
Cable & Wire	4,400	367	+5	RTZ	1,800	752	+4
Cadbury Schwps	9,400	205	—	Rowntree Mac	1,100	430	—
Coats Viyella	821	520	+4	Royal Insurance	698	854	−14
Comm. Union	5,400	282	−8	STC	1,600	194	+1
Cons. Gold	1,200	709	−3	Sainsbury	265	438	+2
Courtaulds	5,400	357	+7	Sears	3,300	124	−1
Dee Corp	4,700	228	+3	Sedgwick	308	325	−2
Dixons Grp	9,000	336	−13	Shell-Trans	3,300	£10⅜	+⅛
Fisons	1,000	595	+2	Smith & Nephew	1,200	134	—
Gen. Accident	219	847	−6	Standard Chart	214	787	−5
Gen. Elect	2,100	190	−3	Storehouse	2,000	271	−10
Glaxo	1,300	£11¼	−⅛	Sun Alliance	1,500	684	−8
Grand Met	1,500	453	−2	TSB	4,300	76	+½
Gus "A"	266	£10½	−⅛	Tesco	1,900	428	+3
Guardian R.E.	1,100	802	−11	Thorn EMI	1,300	508	+4
GKN	789	292	−5	Trafalgar House	1,500	298	—
Guinness	9,800	296	−2	T'house Forte	2,400	181	−3
Hanson Trust	9,380	204	+1	Unilever	90	£21⅞	—
Hawker Sidd	1,400	503	—	United Biscuits	1,000	242	+1
ICI	2,900	£11⅞	+⅛	Wellcome	1,300	250	—
Jaguar	1,800	583	−4	Woolworth	1,500	685	−15

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	107	3
Corporations, Dominion and Foreign Bonds	2	9	59
Industrials	564	382	583
Financial and Properties	214	151	259
Oils	50	12	51
Plantations	4	0	10
Mines	26	83	74
Others	72	65	64
Totals	935	789	1,083

FT-ACTUARIES INDICES

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Tuesday January 13 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Jan 12 Index No.	Fri Jan 9 Index No.	Thur Jan 8 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	744.66	+0.7	8.36	3.50	15.15	0.13	739.76	736.35	728.92	567.56
2	Building Materials (27)	915.67	+0.4	8.14	3.36	15.47	0.40	912.00	911.27	903.91	615.36
3	Contracting, Construction (28)	1277.43	+0.7	7.26	3.67	18.92	0.34	1268.10	1260.45	1239.35	920.83
4	Electricals (12)	1899.48	+0.9	7.93	4.44	16.18	0.00	1882.97	1850.71	1854.79	1544.48
5	Electronics (38)	1622.82	+0.2	8.81	2.54	15.05	0.00	1619.13	1603.74	1595.51	1421.64
6	Mechanical Engineering (61)	424.74	+0.4	9.37	3.90	13.59	0.13	422.98	420.21	413.31	319.80
8	Metals and Metal Forming (7)	387.98	+0.5	9.42	3.83	12.89	0.00	386.05	381.51	376.28	246.65
9	Motors (15)	290.77	−0.2	9.46	3.61	12.19	0.00	291.47	290.61	288.61	206.50
10	Other Industrial Materials (21)	1283.15	+2.1	7.00	4.29	17.04	0.09	1256.17	1260.55	1244.85	993.89
21	CONSUMER GROUP (186)	997.99	−0.2	7.32	3.15	17.55	0.39	999.63	998.45	987.80	739.82
22	Brewers and Distillers (22)	965.42	−0.5	8.81	3.59	14.25	0.00	970.08	980.62	967.69	764.25
25	Food Manufacturing (25)	763.59	+0.1	8.77	3.67	14.94	1.02	762.53	760.05	750.92	549.51
26	Food Retailing (16)	1982.11	+0.4	6.67	2.70	20.89	1.94	1974.51	1969.38	1931.34	1680.63
27	Health and Household Products (10)	1779.45	+0.2	5.40	2.16	21.47	0.00	1756.22	1751.92	1770.56	1175.61
29	Leisure (31)	1025.01	−0.1	7.37	3.97	17.77	0.25	1026.44	1024.63	1023.87	747.95
31	Packaging & Paper (14)	527.81	+0.1	6.49	3.16	19.96	0.18	527.41	527.04	518.44	363.73
32	Publishing & Printing (14)	2942.17	+0.1	6.62	3.87	19.47	3.41	2940.00	2920.09	2873.64	1835.03
34	Stores (37)	866.42	−1.1	7.33	3.10	18.53	0.01	875.62	874.03	856.50	710.19
35	Textiles (17)	604.22	+1.0	8.73	3.40	13.18	0.00	598.16	588.47	573.14	375.50
40	OTHER GROUPS (87)	869.37	+0.6	8.81	3.79	14.12	0.06	864.00	857.46	848.84	698.53
41	Agencies (16)	1176.93	+0.6	4.97	1.87	27.43	0.00	1169.92	1158.24	1153.96	0.0
42	Chemicals (21)	1095.45	+1.0	8.09	3.85	15.06	0.22	1084.75	1079.20	1063.31	729.24
43	Conglomerates (13)	1183.91	+0.7	7.29	3.68	16.27	0.15	1176.00	1170.03	1162.90	0.0
45	Shipping and Transport (11)	1658.02	−0.4	7.36	4.55	16.88	0.00	1665.33	1652.38	1623.06	1316.35
47	Telephone Networks (2)	874.12	—	10.70	4.41	12.75	0.00	874.61	866.15	862.96	858.78
48	Miscellaneous (24)	1206.13	+1.5	9.93	3.43	11.35	0.00	1188.32	1178.47	1157.60	872.82
49	INDUSTRIAL GROUP (482)	909.43	+0.3	7.99	3.42	15.86	0.22	907.08	903.63	894.28	691.89
51	Oil & Gas (18)	1595.61	+1.9	10.68	5.68	11.84	0.00	1565.81	1562.07	1529.89	1107.10
59	500 SHARE INDEX (500)	967.56	+0.5	8.38	3.75	15.11	0.20	962.78	959.32	947.97	727.53
61	FINANCIAL GROUP(117)	639.04	+0.2	—	4.46	—	0.10	637.87	640.27	633.39	507.50
62	Banks (8)	702.23	+1.3	17.96	5.23	7.64	0.00	692.92	696.24	688.72	518.60
65	Insurance (Life) (9)	903.15	−0.4	—	4.30	—	0.00	906.72	910.23	898.44	772.32
66	Insurance (Composite) (7)	474.53	−1.4	—	4.57	—	0.00	481.50	488.01	485.13	407.61
67	Insurance (Brokers) (9)	1174.10	−0.8	8.13	4.51	15.98	0.97	1183.78	1179.97	1180.27	1159.01
68	Merchant Banks (11)	379.86	+0.3	—	3.83	—	0.00	378.66	377.88	366.20	278.88
69	Property (47)	828.91	+0.2	5.85	3.55	22.27	0.00	827.25	830.03	820.66	641.26
70	Other Financial (25)	398.66	+0.2	7.59	3.81	16.61	0.48	397.69	394.84	392.32	288.45
71	Investment Trusts* (96)	901.10	+0.4	—	2.55	—	0.25	897.87	897.56	894.86	633.36
81	Mining Finance (2)	364.67	+0.2	8.57	4.40	13.73	0.00	364.04	355.58	345.72	254.60
91	Overseas Traders (12)	809.27	−0.4	9.89	5.61	12.25	0.00	812.38	810.32	805.06	604.14
99	ALL-SHARE INDEX*(727)	879.51	+0.4	—	3.83	—	0.18	875.74	873.53	863.56	664.42

	Index No.	Day's Change	Day's High	Day's Low	Jan 12	Jan 9	Jan 8	Jan 7	Jan 6	Year ago
FT-SE 100 SHARE INDEX ♦	1763.3	+7.7	1774.4	1762.2	1755.6	1752.3	1733.1	1722.2	1690.7	1370.1

FIXED INTEREST

	PRICE INDICES	Tues Jan 13	Day's change %	Mon Jan 12	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.05	−0.18	120.26	—	0.40
2	5-15 years	134.18	−0.61	135.01	—	0.08
3	Over 15 years	140.83	−0.94	142.16	—	0.00
4	Irredeemables	153.24	−0.72	154.35	—	0.00
5	All stocks	131.67	−0.53	132.37	—	0.18
	Index-Linked					
6	5 years	116.46	−0.07	116.54	—	0.00
7	Over 5 years	113.43	−0.31	113.78	—	0.15
8	All stocks	113.89	−0.27	114.20	—	0.13
9	Debentures & Loans	115.71	−0.52	116.32	—	0.14
10	Preference	80.10	−0.08	80.16	—	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Tues Jan 13	Mon Jan 12	Year ago (approx.)
	British Government				
1	Low	5 years	9.58	9.49	10.12
2	Coupons	15 years	9.93	9.83	10.61
3		25 years	9.93	9.83	10.62
4	Medium	5 years	10.59	10.47	11.89
5	Coupons	15 years	10.23	10.11	11.06
6		25 years	10.00	9.91	10.63
7	High	5 years	10.70	10.58	12.04
8	Coupons	15 years	10.38	10.27	11.25
9		25 years	10.06	9.96	10.77
10	Irredeemables †		9.82	9.74	10.32
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	3.68	3.62	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.77	3.75	0.0
13	Inflat'n rate 10%	5 yrs	2.22	2.16	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.62	3.59	0.0
15	Debs &	5 years	11.07	11.00	12.66
16	Loans	15 years	11.07	10.99	11.81
17		25 years	11.07	10.99	11.73
18	Preference †		11.70	11.69	12.83

♦Opening index 1762.2; 10 am 1766.9; 11 am 1772.8; Noon 1769.9; 1 pm 1771.1; 2 pm 1773.6; 3 pm 1770.4; 3.30 pm 1768.4; 4 pm 1765.2.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*344)	280	65	75	80	0½	2	3
	300	45	57	65	1	3	8
	330	16	35	42	3	9	20
	360	2	15	25	20	28	33
B.P. (*781)	600	180	190	—	1	1½	—
	650	130	140	157	1	4	8
	700	80	90	108	1	8	15
	750	30	50	68	3	30	35
British Gas (*70)	50	19¼	22	24	0½	0½	0½
	60	9¼	13	15	0½	0¼	1¼
	70	1¼	5½	6¼	2¼	4	5
Cons. Gold (*713)	550	167	182	—	1½	3½	—
	600	117	134	152	1½	7	10
	650	67	87	110	2	14	25
	700	17	52	75	7	27	42
Courtaulds (*357)	260	97	107	—	1	1	—
	280	77	87	94	1	1	1½
	300	57	68	75	1	2	4
	330	27	40	47	1	7	13
Com. Union (*285)	240	47	55	60	1	2	2
	260	27	34	41	1	6	7
	280	8	20	29	4	15	17
	300	1½	10	18	16	24	30
Cable & Wire (*362)	300	63	73	88	0½	2	5
	325	38	51	—	1	6	—
	330	—	—	60	—	—	13
	350	14	31	—	1½	12	—
	360	—	—	37	—	—	25
	375	3½	—	—	17	—	—
G.E.C. (*192)	160	33	38	42	0½	1½	4
	180	13	21	27	1	5½	9
	200	1½	10	16	10	16	19
	220	0½	—	—	29	—	—
Grand Met. (*454)	390	65	70	—	0½	1½	—
	420	35	47	62	1	6	12
	460	6	27	43	10	25	30
	500	1	15	27	50	55	60
I.C.I. (*1184)	1000	185	204	230	1	3	4
	1050	135	155	182	2	5	10
	1100	85	120	142	2	15	22
	1150	38	78	110	4	29	42
Land Securities (*342)	300	44	54	59	1	2	4
	330	14	28	37	1	6	11
	360	2	12	19	19	21	24
Marks & Spen. (*196)	180	17	24	30	0½	6	7
	200	2	11½	18	6	12	15
	220	0½	5½	9	25	27	29
Shell Trans. (*1042)	850	193	203	215	1	2	3
	900	143	153	165	1	3	7
	950	93	103	120	1	10	15
	1000	43	65	80	1	20	28
	1050	—	35	50	—	43	50
Trafalgar House (*298)	260	39	48	55	1	3	6
	280	19	32	39	2	7	11
	300	4	17	21	6	15	20
	330	1	—	—	34	—	—
TSB (*76)	70	6	9	12	0¼	2	3
	80	0½	4½	6	4½	7	7½
	90	0½	2	2½	14½	15½	15½
	100	0¼	1	—	24½	25½	—

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
Ladbroke (*389)	330	67	75	85	1	2	3
	360	38	46	58	2	7	9
	390	17	28	40	10	18	20
	420	8	14	23	35	40	43
LASMO (*176)	130	50	54	—	1	1	—
	140	40	44	50	1	3	5
	160	28	28	38	2	7	13
	180	10	19	27	11	18	22
Midland Bk (*581)	500	90	100	112	2	5	9
	550	50	57	70	6	15	23
	600	13	26	40	27	42	47
P. & O. (*549)	460	97	105	115	2	4	8
	500	57	70	80	4	9	12
	550	20	40	48	13	25	30
Racal (*184)	140	46	56	—	0½	1½	—
	160	26	38	44	1½	4	6
	180	13	21	27	7	12	16
	200	3	10	14	19	24	26
	220	1	—	—	37	—	—
R.T.Z. (*753)	550	212	—	—	2	—	—
	600	162	177	—	2	4	—
	650	112	130	140	4	12	20
	700	67	90	107	10	27	40
	750	37	57	72	30	45	70
Vaal Reefs (*$90)	50	41	—	—	1	—	—
	60	32	34	—	1	1	—
	70	21	25½	28½	1	2	2¼
	80	11½	18½	20½	2	5	7
	90	4½	11	13½	6	9	10½
Tr. 11¾% 1991 (*£103)	100	3¾	3¾	4¼	[illegible]	0½	0¾
	102	1¾	2¼	2½	[illegible]	1½	1½
	104	0½	1½	1½	[illegible]	2⅜	2¾
	106	0⅛	0½	—	[illegible]	3½	—
	108	0⅛	0¼	—	[illegible]	5¼	—
Tr. 11¾% 03/07 (*£112)	104	—	[illegible]	[illegible]	—	0¼	1¼
	106	6¼	[illegible]	[illegible]	[illegible]	1	1½
	108	4½	[illegible]	[illegible]	[illegible]	1½	2½
	110	2½	4½	5¼	[illegible]	2¼	2½
	112	1½	3¼	4¼	[illegible]	3¼	3½
	114	1¼	2½	3¼	3¼	4¼	4½
	116	0¼	1½	—	4½	6½	—
	118	0¼	1¼	—	6½	7	—

Option		Calls Mar	Calls June	Calls Sep	Puts Mar	Puts June	Puts Sep
Beecham (*467)	360	120	—	—	1	—	—
	390	90	98	110	1	2	7
	420	62	70	80	4	9	14
	460	25	42	52	13	25	28
Boots (*248)	200	52	60	—	0½	2	—
	220	33	40	45	2½	6	8
	240	17	24	31	7	14	15
	260	6	14	17	18	23	28
BTR (*293)	260	40	46	55	2	6	7
	280	24	32	40	5	12	14
	300	11	20	28	16	22	25
	330	3	—	—	40	—	—
Blue Circle (*717)	550	180	188	—	1	3	—
	600	130	138	152	2	5	8
	650	82	93	112	7	12	15
	700	48	55	75	15	25	32
	750	20	33	43	40	55	60
De Beers (*$865)	700	190	210	—	6	10	—
	750	140	165	195	13	22	35
	800	95	130	160	24	38	50
	850	65	105	130	45	58	70
	900	37	800	105	75	95	105
Dixons (*339)	300	48	56	64	3	5	9
	330	26	34	46	15	20	20
	360	11	18	30	32	36	38
	390	5	9	—	56	58	—
Glaxo (*1132)	1000	162	200	230	7	13	22
	1050	120	155	195	11	23	32
	1100	77	130	160	22	40	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Mar	Calls June	Calls Oct	Puts Mar	Puts June	Puts Oct
Bass (*772)	700	95	115	135	5	10	17
	750	60	80	110	12	25	30
	800	30	45	55	35	50	55
GKN (*293)	240	59	64	70	1	2	4
	260	40	46	55	3	7	9
	280	24	32	40	8	11	15
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 13. Total Contracts 58,671. Calls 45,815. Puts 12,856. FT-SE Index. Calls 1,692. Puts 642. *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

NETHERLANDS

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

FRANCE

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices January 13

[illegible]

MONTREAL

Closing prices January 13

[illegible]

Indices

NEW YORK

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

RISES AND FALLS

[illegible]

TORONTO

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TOKYO – Most Active Stocks

[illegible]

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

[illegible]

North American quarterly results

[illegible]

McCORMICK & CO Spices & seasonings		
Fourth quarter	1986 $	1985 $
Revenue	294m	267m
Net profits	17.40m	15.90m
Net per share	1.45	1.25
Year		
Revenue	976m	873m
Net profits	29.74m	27.83m
Net per share	2.46	2.27

PAYLESS CASHWAYS Freight services		
Fourth quarter	1985-86 $	1984-85 $
Revenue	405.6m	378.6m
Net profits	10.95m	11.06m
Net per share	0.32	0.32
Year		
Revenue	1.53bn	1.39bn
Net profits	42.35m	38.09m
Net per share	–	1.12

LONDON Chief price changes

(In pence unless otherwise indicated)

RISES		
BAT Inds.	510	+12
Beecham	465	+10
Bramall (C.D.)	162	+14
Brit. Gas	69½	+ 2½
B.P.	776	+18
Britoil	189	+ 9½
E.R.F.	60	+ 7
Hunterprint	358	+10
ICI	£11⅞	+ ⅛
LWT	488	+23
Lilleshall	210	+22
Lloyds Bk.	466	+14
Oakwood	111	+18
P. Knoll A	525	+26
Plessey	197	+ 7
Redfn. Nat. Glass	376	+11
Thames TV	340	+ 9
Triton	170	+17
Ultramar	183	+ 6
Valor	288	+ 9
Whitecroft	278	+22

FALLS		
Treas. 11¾pc '03-07	£111¾	– 1⅜
Exch. 12pc '13-17	£118¹⁵⁄₁₆	– 1¼
Comm. Union	282	– 8
Dixons	336	–13
Heath (C.E.)	447	–11
Ladbroke	388	– 9
Royal Ins.	854	–14
Vaux	505	–20
Woolworth	685	–15

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅝	17	AAR s	.44	1.6	20	328	27½	27	27⅝	−⅛
30¼	21¾	ADT	.92	3.1		92	30	29¾	29⅞	+⅛
33¼	17	AFG s	.12i	.4	17	697	u34	33⅛	33⅝	+⅜
32	16¾	AGS			20	921	32	31¼	31¼	+⅛
15	6¾	AMCA				248	7¼	7	7	−¼
62½	39¾	AMR			13	3566	55⅜	54¾	55¼	−⅜
27½	24	ANR pf	2.67	9.9		1	27	27	27	
16½	10	ARX	.71t	6.2	11	110	11¾	11⅝	11⅝	−⅛
41½	28¾	ASA	2a	5.1		508	39⅛	38⅝	38⅞	
16⅝	9¾	AVX		2.5		632	13	12¾	12⅞	+⅛
32	26	AZP	2.72	8.8	9	2278	31¼	30⅞	31	−⅛
55	31⅝	AbtLb s	.84	1.7	22	3515	50¾	50¼	50⅝	
32	25	AccoWd	.56	1.9	19	731	29¾	28¾	29	+⅜
14½	9	AcmeC	.40	3.7		176	11	10⅝	10¾	−¼
9¼	6⅞	AcmeE	.32b	4.3	19	15	7½	7¼	7⅜	−¼
23⅞	17½	AdaEx	3.42e	16.		x145	21½	20⅞	21¼	+½
18⅝	9¼	AdmMl s				146	15⅞	15¼	15⅞	
20⅝	12⅛	AdvSys	.62t	3.4	16	78	19⅛	18½	18½	−⅝
32⅞	12⅞	AMD				4639	16⅛	15½	16⅛	+⅝
12⅝	5¼	Adobe				339	8½	8	8⅝	+¼
18⅝	13¾	Adob pf	1.84	11.		32	17⅝	17⅝	17⅝	
20¼	16⅝	Adob pf	2.40	12.		84	20¼	19¾	20¼	+⅝
18⅝	11½	Advest	.12a	.9	10	159	13⅞	13⅝	13¾	−⅛
66¼	52¼	AetnLf	2.64	4.4	9	2825	60¾	60⅛	60½	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

WE REGRET that this listing is incomplete due to computer problems.

[illegible]

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Struggle to extend advance

STRUGGLING to overcome the negative effect of lower bond prices, Wall Street stocks just managed to extend their winning streak to an eighth session yesterday, *writes Roderick Oram in New York.*

Overwhelmingly bearish sentiments in foreign exchange markets about the continuing fall of the dollar pushed down bond prices although domestic economic considerations prevented a share sell off.

The Dow Jones industrial average closed up 3.52 at 2,012.94. It started out the day slightly below its previous close, recovered to a modest gain then turned lower before creeping back to a gain for the day.

It was the most hesitant day the markets have experienced so far this year. Volume moderated to 171.7m shares with advancing issues only just outnumbering declining. The New York Stock Exchange composite index eased back 0.17 to 149.14 while second tier stocks also faded with the American Stock Exchange all share index slipping 0.07 to 287.73.

Crucially, without the help of one stock, the Dow would have been unchanged on the day. Owens-Illinois rebounded $3¼ to $54¾ after losing more than $4 on Monday. It received an improved buyout offer of $60 a share from Kohlberg Kravis Roberts, the leading leveraged buyout specialists. The glass maker rejected an earlier offer of $55 a share.

Among other Dow industrial stocks, AT&T was off $⅜ to $25, Eastman Kodak was up $1 to $72⅞, General Electric rose $⅛ to $90½, General Motors lost $⅝ to $68, Merck eased back $⅞ to $126¼ and United Technologies was unchanged at $47⅝.

IBM continued its fall of recent days losing $4⅛ to $116¾, a growing number of analysts have been further cutting their earnings forecasts on the belief the computer group's problems will persist this year.

In contrast, Digital Equipment rose further, adding $1½ to $118⅝. Earnings are growing fast following the total replacement of its product line over the past 12 months. Among other computer makers, Unisys added $⅜ to $87½, Prime edged down $⅛ to $19⅝, Cray Research dropped $1⅛ to $93⅝ and Tandem rose $⅛ to $41¼ on the over-the-counter market.

The fourth quarter results season began to pick up speed with International Paper reporting net profits of $2.13 a share against 77 cents a year earlier. Its shares rose $2 to $83½. Mellon Bank fell $1⅛ to $54⅝ after turning in a fourth quarter net of 42 cents a share against $1.57. Irving Bank dipped $⅝ to $50¼ on quarterly profits of $1.65 against $1.49.

Oil groups were mixed after sharp gains on Monday. Chevron slipped $⅛ to $49⅝, Texaco fell $1 to $38 and Standard Oil eased $¼ to $57. In contrast, Exxon was up $⅛ to $75⅝ and Amoco edged up $¼ to $71⅞.

The discount rate on three-month Treasury bills eased one basis point to 5.35 per cent, was unchanged on six-month bills at 5.41 per cent and slipped one basis point on year bills to 5.45 per cent.

With no fresh economic data until today's retail sales figures, the market was influenced by the further decline of the dollar. The attitude towards the US currency in foreign exchange markets remains very bearish, particularly after European central banks failed to intervene as expected yesterday.

Both the credit and foreign exchange markets believe the weakness of the US economy in the first quarter will prompt lower interest rates. Whereas this is viewed negatively in currency terms because it would diminish the appetite of foreign investors for US securities. Bond markets can take some countervailing encouragement from the positive domestic effects of lower interest rates.

In addition, foreign participation in Treasury financings will not be quite so crucial this quarter as in recent ones because healthy Treasury cash balances will reduce the volume of new securities offered.

LONDON

ENERGY SHARES fuelled another rally in London yesterday as most of Europe remained in the grip of severe weather.

As oil prices nudged $19 a barrel, heavy demand developed for Britoil, BP and Shell while British Gas hit its highest level since flotation.

The FT-SE 100 index, up an early 19 points, finished the day 7.7 stronger at a peak 1,763.3 while the FT Ordinary edged close to its record high with a further 4.5 gain to 1,393.9.

Aggressive institutional buying focused first on Britoil up 9½p to 189p on 13m shares while BP jumped 18p to 778p on 7.5m shars and Shell with 3.3m shares changing hands added £⅛ to £10⅝. British Gas sprinted 2½p to a peak 69½p on 115m shares.

The gilt edged market was unsettled by the fall in the sterling index and prices tumbled by 1½ points at the long end. Selling was steady rather than heavy and traders ascribed the downward move to profit-taking after the pre-Christmas upturn.

Chief prices changes, Page 35; Details, Page 34; Share information service, Page 32–33

AUSTRALIA

HIGHER GOLD and oil prices pushed Sydney to yet another record high and boosted the All Ordinaries index 4.3 to 1,553.6. Industrials followed the early surge but late weakness in the Australian dollar depressed some leading blue chips on interest rate concerns. Turnover surged to 183m shares worth A$321m.

Strong European buying of gold issues was evident and helped to underpin the 50-cent gain in Central Norseman at A$16.30. Kalgoorlie closed 20 cents higher at A$16.50 while Kidston managed to hold a 10–cent rise to A$8.20.

Banks saw broad falls on fears of higher interest rates with ANZ off 12 cents to A$5.86, National 8 cents cheaper at A$5.84 and Westpac 3 cents down at A$4.92.

HONG KONG

HEAVY TECHNICAL selling by foreign institutions depressed Hong Kong and drove the Hang Seng index 24.04 lower to 2,590.83.

Trading was suspended in Evergo and its China Entertainment associate amid speculation that the group was planning a major Singaporean share transaction. Evergo last traded at 96 cents and China Entertainment at HK$7.95.

HK-TVB, in which trading resumed, posted a HK$1.40 rise to HK$12.90 while Shaw Brothers dipped 2½ cents to HK$4.52½.

SOUTH AFRICA

PROFIT-TAKERS halted the recent record run among Johannesburg gold shares as the bullion price hovered under $410 an ounce.

The All-Gold index dipped to 2,100, a drop of 17 points, in what many brokers described as a brief pause in the market's broad advance.

Southvaal finished unchanged at R209, Randfontein lost R5 to R435 and Western Deep Levels at R193 was R1 cheaper.

SINGAPORE

A FLURRY of domestic and overseas buying prompted solid gains in Singapore and left the Straits Times industrial index up 4.07 to 955.55 on turnover of 49.9m shares.

The buying spree was halted temporarily due to reports that Prime Minister Lee Kuan Yew was in Hospital. Lee's condition was later described as "not serious."

CANADA

A brisk sell-off in Toronto gold stocks partly offset a strong rally in oil and gas issues.

Dome Petroleum gained 8 cents to C$1.07, Ranger traded C$¼ higher to C$7¼ although Imperial Oil Class A shed C$¼ to C$53⅝.

In Montreal, industrials and banks made the best gains as utilities firmed slightly.

TOKYO

Yen upturn blunts enthusiasm

THE YEN'S sharp upswing depressed investor enthusiasm in Tokyo yesterday and drove share prices sharply lower, *writes Shigeo Nishiwaki of Jiji Press.*

Blue-chips, domestic demand-related issues and pharmaceuticals fell on a broad front, while some issues with hidden incentives drew popularity.

The Nikkei average lost 124.97 from the previous day to 18,544.05. Volume decreased to 378m shares from Monday's 403m. Declines outnumbered advances by 597 to 238, with 146 issues unchanged.

Despite the Bank of Japan's dollar-buying and yen-selling market intervention, the dollar continued its downward slide on the Tokyo foreign exchange market, closing Y2.05 lower at Y156 to the dollar. This sent institutional investors to the sidelines and individual investor buying dwindled.

Blue chips were the hardest hit by small-lot selling sparked by the strong yen: Matsushita Electric Industrial lost Y60 to Y1,870, NEC Y40 to Y1,890 and Fuji Photo Film Y40 to Y3,460. Hitachi slipped below Y1,000 to finish at Y991, down Y9.

Pharmaceuticals, which performed strongly toward the year-end, continued to ease. Sankyo fell Y30 to Y1,610, Dainippon Pharmaceutical Y90 to Y3,490 and Shionogi Y40 to Y1,550.

Tokyo Electric Power gained Y150 at one stage, bolstered by buying by major securities house dealers, but came under selling pressure later to close Y20 higher at Y7,820. Tokyo Gas ended only Y10 higher at Y1,080.

Construction issues fared poorly, with Obbayashi falling Y9 to Y906 and Taisei Y5 to Y892.

Also lower were many financial issues which acted as a prime mover driving the Nikkei average to an all-time high of 18,936.76 on January 6. Tokio Marine and Fire declined Y30 to Y1,810 and Sumitomo Bank Y50 to Y2,590.

Dainippon Ink and Chemicals topped the active list with 26.17m shares changing hands and ended Y13 higher at Y630 after gaining an early Y30. Its popularity mirrored investor appraisal of the company's positive overseas strategy, exemplified by its purchase of a US printing ink manufacturing group.

Fujiko surged Y45 to Y605 on rumours of its shares being bought by a speculative group. Press Kogyo gained Y61 to Y449.

Yodogawa Steel Works advanced Y14 to Y509 on the strength of its plan to make effective use of idle property, while Nittetsu Mining finished Y30 higher at Y830.

An official of a major brokerage house said investors were apparently hunting these issues with hidden incentives to earn short-term capital gains.

Bond prices were steady in early trading in response to the firmness of the bond futures market which stemmed from buying by a major securities firm.

In afternoon trading, however, concern grew over high prices, pushing the prices down to almost the same levels as Monday's.

The yield on the 5.1 per cent government bond, falling due in June 1996, finished at 5.145 per cent compared with Monday's 5.160 per cent, while those on other bonds rose fractionally.

Tokyo most active stocks, Page 35

EUROPE

Frankfurt, Paris upset by dollar

A WAVE of caution swept most European bourses yesterday as investors continued to absorb the implications of the slide in the dollar and the weekend realignment of EMS currencies.

Frankfurt was depressed further by worries that exports would be hurt by the lower dollar, together with the persistent strength of the D-Mark despite its revaluation. The Commerzbank index dropped 29.8 to 1,895.3 and falls were registered in most sectors.

In mixed engineering stocks, Deutsche Babcock was up DM 4.70 to DM 211.20. The company announced after trading that it planned a big rights issue and would pay an unchanged dividend on its 1985–86 results.

Also in the sector, KHD and Mannesmann added DM 1.50 each to DM 156.50 and DM 162 respectively, but MAN was off 50 pfg at DM 169 and Linde eased 30 pfg to DM 670.70.

Bonds firmed in thin trading as investors covered short positions resulting from speculation before the EMS realignment. The Bundesbank sold DM 121.6m worth of paper after selling DM 21m on Monday.

Amsterdam picked up on some late bargain-hunting to close mixed to higher after concern over the dollar's slide had pushed prices lower earlier in the day. Turnover was thin as many investors waited to see if interest rates would fall.

Oce van der Grinten, the copier-maker, recovered somewhat from its recent plunge, adding Fl 15 to Fl 410.

MADRID pursued its record-breaking run regardless of the hesitant mood elsewhere in Europe. The stock exchange general index rose 4.44 to finish at a new high of 232.91.

Market leader Telefonica put on 4.7 percentage points to 184.7 per cent of nominal market value.

Among banks, Exterior was up 20 points to 425 per cent and Popular 160 points to 1,760 per cent, while Bilbao and Central remained steady at 1,520 per cent and 1,045 per cent respectively.

Among internationals, Royal Dutch, which has made promising gas discoveries in Peru, gained Fl 1 to Fl 212.

Paris turned lower as concern grew over interest rates, the strength of the D-Mark and the impact of the lower dollar on exports, while the positive mood engendered by the end of the public sector strikes wore off.

Zurich was little changed to easier on a mixture of profit-taking and selective late bargain-hunting. Trading was moderate, with some investors holding off because of the weak dollar and Frankfurt's poor performance.

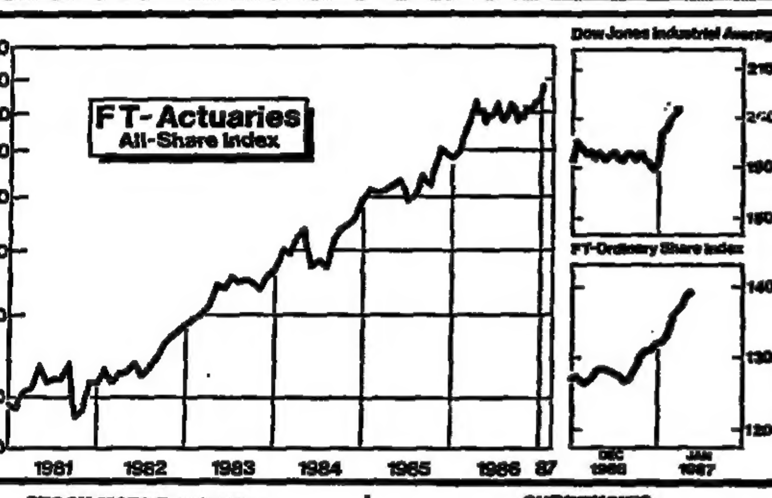
Brussels ended little changed in quiet trading, with the bourse showing little reaction to the EMS changes. Petrofina lost BFr 30 to BFr 9,480.

Milan saw investors squaring positions before the trading month ends today. Share prices finished mixed in active trading.

Stockholm fell heavily again in continuing reaction to the budget and to fluctuations in the credit market. The Veckans Affarer all-share index ended down 22.3 at 818.3, having fallen more than 10 per cent so far this week.

Oslo oil shares mainly benefited from the recent rise in oil prices caused by the cold spell and news that Norwegian oil production would be cut back. Norsk Hydro was steady at NKr 144 ahead of news that 1986 results will be worse than predicted.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 13	Previous	Year ago
NEW YORK			
DJ Industrials	2,011.81*	2,013.38	1,520.53
DJ Transport	850.50*	855.98	692.31
DJ Utilities	220.29*	221.04	172.39
S&P Composite	259.76*	260.36	206.72
LONDON			
FT Ord	1,393.9	1,389.4	1,094.3
FT-SE 100	1,763.3	1,755.60	1,384.6
FT-A All-share	879.51	875.74	664.42
FT-A 500	967.56	962.78	727.53
FT Gold mines	326.3	337.5	306.8
FT-A Long gilt	10.06	9.96	10.69
TOKYO			
Nikkei	18,544.05	18,669.02	12,977.0
Tokyo SE	1,557.46	1,568.90	1,029.27
AUSTRALIA			
All Ord.	–	1,549.6	1,051.1
Metals & Mins.	–	765.4	532.9
AUSTRIA			
Credit Aktien	–	223.67	253.890
BELGIUM			
Belgian SE	3,990.65	3,990.40	2,772.94
CANADA			
Toronto			
Metals & Minls	2,158.7	2,136.5	2,130.0
Composite	3,254.0	3,243.5	2,811.7
Montreal			
Portfolio	640.96	637.26	137.50
DENMARK			
SE	202.57	–	216.85
FRANCE			
CAC Gen	–	412.60	273.8
Ind. Tendance	104.00	104.40	165.9
WEST GERMANY			
FAZ-Aktien	629.29	636.42	688.59
Commerzbank	1,895.30	1,925.10	2,063.9
HONG KONG			
Hang Seng	2,590.83	2,614.87	1,799.81
ITALY			
Banca Comm.	718.36	720.04	465.41
NETHERLANDS			
ANP-CBS Gen	268.50	259.10	100.6
ANP-CBS Ind	260.00	284.87	246.9
NORWAY			
Oslo SE	362.78	362.66	400.32
SINGAPORE			
Straits Times	955.55	955.96	636.32
SOUTH AFRICA	**Jan 13**	**Prev**	**Year Ago**
JSE Golds	—	2,117.0	1,204.3
JSE Industrials	—	1,448.0	1,105.8
SPAIN			
Madrid SE	232.91	228.47	106.98
SWEDEN			
J & P	2,251.93	2,295.24	1,880.37
SWITZERLAND			
Swiss Bank Ind	586.00	584.90	588.5
WORLD	**Jan 12**	**Previous**	**Year ago**
MS Capital Int'l	372.10	370.4	252.7

COMMODITIES

(London)	Jan 13	Prev
Silver (spot fixing)	371.75p	371.90p
Copper (cash)	£910.50	£913.00
Coffee (March)	£1,587.50	£1,597.50
Oil (Brent blend)	$18.575	$18.775

GOLD (per ounce)

	Jan 13	Prev
London	$408.25	$411.00
Zürich	$409.75	$411.05
Paris (fixing)	$407.01	$408.89
Luxembourg	$408.50	$410.15
New York (Feb)	$412.30	$410.20

CURRENCIES

	US DOLLAR		STERLING	
(London)	Jan 13	Previous	Jan 13	Previous
$	–	–	1.4905	1.4915
DM	1.87575	1.8905	2.795	2.82
Yen	155.75	156.70	232.0	233.75
FFr	6.27	6.2875	9.345	9.3775
SFr	1.5760	1.5805	2.3475	2.3575
Guilder	2.1130	2.1335	3.15	3.1825
Lira	1,333.0	1,337.5	1,986.75	1,995
BFr	38.90	39.35	58.0	58.70
C$	1.3659	1.3685	2.0380	2.0390

INTEREST RATES

	Jan 13	Prev
Euro-currencies (3-month offered rate)		
£	11⅛	11³⁄₁₆
SFr	3⅝	3¹³⁄₁₆
DM	4⅝	4⅝
FFr	10⅛	9⅝
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6³⁄₁₆	6⅛
US Fed Funds	6⅛*	6⁵⁄₁₆
US 3-month CDs	5.75*	5.70
US 3-month T-bills	5.35*	5.355

US BONDS

Treasury

		January 13* Price	Yield	Prev Price	Yield
6⅝	1988	100 ⁵⁄₃₂	6.214	100 ⁴⁄₃₂	6.18
7⅛	1993	100¹⁰⁄₃₂	6.93	100²⁰⁄₃₂	6.873
7⅜	1996	101 ⁴⁄₃₂	7.077	101¹⁶⁄₃₂	7.024
7¼	2016	101²⁸⁄₃₂	7.363	102²⁴⁄₃₂	7.299

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Jan 13 Day's change	Yield	Day's change
1–30	161.96	−0.31	6.86	+0.03
1–10	153.60	−0.15	6.58	+0.03
1– 3	143.13	−0.02	6.24	+0.02
3– 5	156.50	−0.09	6.66	+0.02
15–30	191.71	−0.74	7.79	+0.05

Source: Merrill Lynch

Corporate	January 13* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.29	6.40	92.29	6.40
SCBT South Central				
10⅞ Jan 1993	106.125	9.537	106.125	9.587
Phibro-Sal				
8 April 1996	100.25	7.958	100.5	7.920
TRW				
8⅞ March 1996	104.25	8.080	104.5	8.042
Arco				
9⅞ March 2016	112.75	8.868	112.75	8.868
General Motors				
8⅛ April 2016	95.25	8.598	95.125	8.588
Citicorp				
9⅜ March 2016	103.75	9.00	104.125	8.960

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
March	100–16	100–25	100–09	101–01
US Treasury Bills (IMM) $1m points of 100%				
March	94.79	94.81	94.73	94.80
Certificates of Deposit (IMM) $1m points of 100%				
March	–	–	–	94.46
LONDON				
Three-month Eurodollar $1m points of 100%				
March	94.02	94.03	93.98	94.05
20-year Notional Gilt £50,000 32nds of 100%				
March	113–29	114–30	113–16	115–05

* *Latest available figures*